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ABSTRACT

State, federal, and local spending on low-income children are examined for 13 states to help policymakers see the priorities that are actually reflected in their spending. The 13 states were chosen to ensure geographic, political, and economic diversity as part of the "Assessing the New Federalism" project, and together they include about half of the U.S. population. The first section discusses the nature of state fiscal data and the methodology for the study of spending. The second section documents the amount the federal, state, and local governments spend on children's programs and described the variation in spending across the states. The third section analyzes the spending from state and local governments, and the fourth section determines whether the variation in spending is related to a state's ability to raise revenue. The fifth section reviews the broad distribution of state expenditures among six categories of children's programs, and the sixth section examines spending in these categories in more depth. The final section summarizes the study's findings. Because of the study's focus on low-income children, most of the discussion is devoted to programs other than education, since education programs benefit all children. The sixth section does, however, contain an analysis of amounts spent on child care and early childhood development. An appendix contains supplemental information, including a discussion of data sources. (Contains 14 figures and 21 tables.) (SLD)

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Assessing
the New
Federalism
*An Urban Institute
Program to Assess
Changing Social Policies*

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3



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This report is part of The Urban Institute's *Assessing the New Federalism* project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is the deputy director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

The project has received funding from the Annie E. Casey Foundation, the W.K. Kellogg Foundation, the Henry J. Kaiser Family Foundation, the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Commonwealth Fund, the Stuart Foundation, the Robert Wood Johnson Foundation, the Weingart Foundation, the McKnight Foundation, the Fund for New Jersey, and the Rockefeller Foundation. Additional funding is provided by the Joyce Foundation and the Lynde and Harry Bradley Foundation through a subcontract with the University of Wisconsin at Madison.

The authors would like to thank the late Steven D. Gold, who initiated this project and whose presence is sorely missed. His memory and writings were invoked many times throughout the preparation of this report.

The authors also thank Larry Thompson, who provided overall guidance on this project, keeping it on track through Steve Gold's illness and through two separate maternity leaves. In addition to the authors, several Urban Institute staff contributed to the report. Rebecca Clark assisted in the initial design of the project and collected budget information from Massachusetts; Karen Tumlin gathered and analyzed budget information for Texas and New Jersey; Alan Weil, Anna Kondratas, Frank Ullman, and Rudy Penner reviewed various drafts. The authors would also like to thank Chuck Lieberman and Todd Bland at the California Legislative Analyst's Office, Patrick Bresette at the Center for Public Policy Priorities in Texas, and David Maxwell-Jolly at the California Senate Appropriations Committee for their helpful comments and for sharing their state budget expertise; Frank Mauro and Jennifer McCormick at the Fiscal Policy Institute in New York for their assistance in analyzing the budget information for Alabama, New York, and California; and Donald J. Boyd at the Center for the Study of the States at the Rockefeller Institute of Government for his assistance with New York State budget information.

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Assessing the New Federalism

Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, job training, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute's Web site. This paper is one in a series of occasional papers analyzing information from these and other sources.

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Introduction

State governments play an important role in the financing and delivery of services to children. While the federal government administers and funds almost all of the country's programs for the elderly, state governments administer and fund a substantial share of programs for children. They contribute up to half of the costs of the largest programs for children, such as Medicaid, the former Aid to Families with Dependent Children (AFDC) program, and foster care, and they set many of the rules for what specific services children receive, even for those programs that are almost entirely federally funded.

Although it has been generally known that states play an important role in programs for children, until this report there had been no detailed state-by-state research on what is actually spent on children. Such information is important because it can help state and federal policymakers see the priorities that are reflected in their funding. It can help state policymakers see where children's programs fall in their total state funding priorities and where particular children's programs stack up among all children's programs. It also allows them to compare their state's funding choices against those of other states. For federal policymakers, the information can identify how federal funding incentives affect state spending patterns, and it can highlight disparities between states. Because policymakers make thousands of funding decisions each year, they are not always able to see what those individual decisions add up to. Once they see the overall picture, they can decide if their spending choices are a good or a bad reflection of their actual priorities for children.

This report fills the void of analysis. It examines state, federal, and, where possible, local spending on low-income children in 13 states. The study is unique because the information was obtained from state sources, it includes

state-only spending in addition to federal and state matching monies that are normally counted in other data sources, and it is actual expenditure data, not simply appropriations. No other report gives as much detail, or as much consistency across states, on state spending on low-income children and their families. The 13 states were chosen to ensure geographic, political, and economic diversity as part of the *Assessing the New Federalism* project, and together they include about half the nation's population. They are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Table A-1 shows seven characteristics of the 13 states and highlights their similarities and differences.

This report is particularly important with the adoption of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. That act created two new block grants to the states, replacing existing federal programs that serve low-income families and children. The Temporary Assistance for Needy Families (TANF) block grant replaces the AFDC, Job Opportunities and Basic Skills (JOBS), and Emergency Assistance (EA) programs, and a new Child Care and Development Fund (CCDF) replaces the Child Care and Development Block Grant, AFDC Child Care, Transitional Child Care, and At-Risk Child Care programs. By converting the old "matching grant" programs into block grants, the federal government significantly altered the financing of services for low-income children. Rather than subsidizing states by matching the dollars each state puts up for these programs, the federal government now provides a fixed amount of money to each state. The conversion of multiple programs into a few block grants has also given the states a great deal of new flexibility in how they allocate their spending for low-income children. States can now move spending out of one program to another much more easily. This change in the funding structure could significantly alter what children's programs states fund and how much they spend on each one. This report provides a baseline of state spending on programs for low-income children in the 13 states before the implementation of PRWORA. It will be followed up by a study documenting what states spend on children well after the implementation of PRWORA is under way.

This report has seven sections. The first section discusses the nature of state fiscal data and the methodology used for the study that formed the basis for this report. The second section documents the amounts the federal, state, and local governments spent on children's programs and describes the variation in spending across the states. The third section analyzes the spending from state and local governments, and the fourth section determines whether the variation in spending is related to a state's ability to raise revenue. The fifth section reviews the broad distribution of state expenditures among six categories of children's programs. The sixth section examines spending in these six categories in more depth. The final section summarizes the study's findings. Because of the study's focus on low-income children, most of the discussion is devoted to programs other than education. Education programs benefit all children in a state, and most of the rest of a state's spending on children involves programs that serve predominantly low-income children.

Description of Data and Methodology

Limitations of National Reporting Sources on State Expenditures

State fiscal data are available nationally through four main sources: federal departments that administer the programs, the United States Census Bureau, the National Association of State Budget Officers (NASBO), and the National Conference of State Legislatures (NCSL). The body of data that each of these reporting sources provides is significant, but it is not detailed enough to use to determine total state spending on children's programs.

Federal departments, such as the Department of Health and Human Services (HHS), keep a record of the amount of federal funds and the required state matching funds for specific federal programs, but they generally do not collect the total amount of state funds spent on federal programs and the amount of state funds spent on state-initiated programs. Because this study aimed to track *total* state spending on children's programs, it was important to include the additional spending missed by the federal department records.

The bodies of state spending data that the Census Bureau publishes are exhaustive and are widely used to make comparisons across states on total government spending. For purposes of this study, however, they were not a perfect fit, for two reasons. First, Census aggregates its data into large categories, such as education or public welfare, and does not give detailed spending on individual programs. Second, it includes all funds spent by state entities, not just funds included in the state budget. For example, states purposely estab-

lish entities or authorities outside of the state budget that administer specific programs, such as public hospitals or transportation authorities. Because this study aimed to examine where spending on children's programs ranks among state priorities, it was necessary to review data on programs funded through the state budget process.

NASBO collects information from state budget officers on spending through the state budgets and is the only entity that regularly collects state budget expenditure data for the 50 states. Like Census, NASBO provides valuable data on state spending across major categories. Unfortunately, though, the NASBO data are so grossly aggregated that it was impossible to pull out the spending on children's programs. For example, NASBO reports expenditure data on seven categories of programs, one of which is "all other expenditures," which accounts for roughly 30 percent of state spending.

NCSL surveys legislative fiscal officers to report on state appropriations for six categories of programs. Although NCSL's data are extremely useful, especially because its reports are timely in providing state appropriation information, like NASBO it groups programs other than Medicaid and AFDC into an "other" category.

This Urban Institute report breaks new ground because it presents fiscal data collected at the state level through state budget offices, state departments, and state documents. It builds on previous reports that used the federal reporting sources described above and provides a more complete picture of state spending on children's programs.¹ In particular, this report shows total spending on children's programs and is not limited to reporting information on federal programs.

The enormity of this project and the complexities of deciphering 13 different state budgets mean that some small programs may have been omitted, but with the cooperation the study team received from numerous state budget officials they have identified most of the spending. No other report gives as much detail, or as much consistency across states, on state spending on children and their families.

Rules for Selection of Low-Income Children's Programs

Many different types of programs serve low-income children. Some serve only children (e.g., child care programs), many serve both adults and children (e.g., the AFDC program), and others are focused on a specific population (e.g., programs for individuals requiring mental health services) and do not specify an age range. Therefore, to guide their data collection effort the authors established decision rules that they used to decide whether particular programs fit within the study's definition of a children's program. The three main rules were to include (1) all spending on programs that were designed explicitly to assist predominantly low-income children, (2) spending on adults in programs where adults receive services only because of the presence of a child (e.g., AFDC),

and (3) spending on children's portions of programs that benefit both children and adults if there are specific components of the program designed for children (e.g., Medicaid). The appendix gives details and examples of all of the decision rules.

The study also includes the Food Stamps and General Assistance programs because they are used to augment or substitute for the AFDC program, even though they were not designed solely to help children. Generally, children's programs were defined as non-education programs that served children under 18 years of age. Although education programs are the largest type of children's programs that states fund, the objective of the study was to examine the various programs that serve predominantly low-income children. For this reason, education programs are not included.

The information collected is grouped into six categories of programs that represent the six major types of children's programs funded by the federal and state governments. This grouping facilitates an understanding of the strategies states use in serving low-income children. The categories are (1) cash assistance and training, (2) food and nutrition, (3) child care and early childhood development, (4) child protection and family services, (5) juvenile justice and youth services, and (6) health.

The *cash assistance and training* category includes youth job training programs and the AFDC, JOBS, Food Stamps, child support enforcement, and Earned Income Tax Credit (EITC) programs, as well as other, similar programs. The *food and nutrition* category includes the federal food and nutrition programs as well as state-initiated food and nutrition programs. The *child care and early childhood development* category includes all child care and child development programs, regardless of income eligibility. For example, this category includes state child care tax credit programs. (The totals do not include tax expenditures on the federal child care tax credit program because the Internal Revenue Service does not make this information available on a state-by-state basis.) The *child protection and family services* category includes foster care, child welfare services, adoption services programs, and other services directed at families such as parenting education. In the *juvenile justice and youth services* category are services for delinquent and at-risk youth, including juvenile corrections programs and youth run-away programs. The *health* category includes Medicaid expenditures on children, other child health programs, children's mental health services, and other health programs specifically provided for children.² Because of the difficulty in tracking Medicaid spending, all Medicaid expenditures are included in the health category, even if they are expended in other areas such as foster care.

Spending across States in the Six Categories

States fund a wide variety of programs, many of which are unique to a particular state in the population the program serves and its service design. In order to compare spending across states, the authors collected program descriptions



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that were used to classify the programs into the six categories described above. Instead of comparing spending across states on a program-by-program basis, the study compared across states by the six categories. The exceptions were the large federal programs that are distinct programs identified in each state.

The study also compared spending for state fiscal year (SFY) 1995. While fiscal years vary in the 13 states, the study used each state's own fiscal year because it is one year of spending at approximately the same point in time and because most of the states would be unable to provide spending data for a period of time other than their fiscal year. States' fiscal years run from July 1 through June 30 except for Michigan's and Alabama's, which run from October 1 through September 30; Texas's, which runs from September 1 through August 31; and New York's, which runs from April 1 through March 31. The appendix provides greater detail on the authors' methodology and on the process they used for collecting the data.

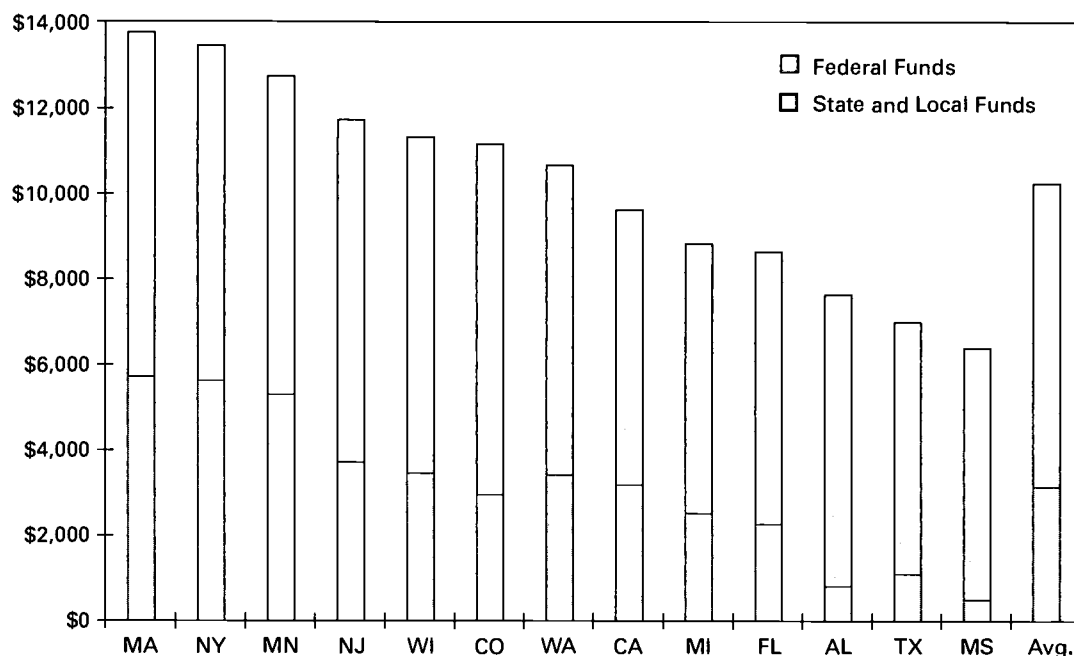
How Much Do the Federal, State, and Local Governments Spend on Low-Income Children?

This section reviews the total amount spent on low-income children from federal, state, and local sources.

Total Spending on Low-Income Children

As shown in figure 1, the 13 states spent an average of \$10,111 per poor child in federal, state, and local funds on low-income children's programs in SFY 1995. This study compared spending on low-income children's programs (also called simply "children's programs" in this report) relative to the number of poor children in a state because it examined programs that serve predominantly low-income children living below the poverty level.³ Some programs, such as Medicaid and the EITC, also serve children above the federal poverty level. If the study had examined expenditures relative to the eligible populations of these programs (e.g., children below approximately 200 percent of poverty), total spending would be much lower than spending per *poor* child. Figure 1 shows the portion of the spending per *poor* child from federal funds and the portion from state and local funds.

Figure 1 *Low-Income Children's Program Spending—Federal and State and Local Funds per Poor Child, SFY 1995*



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages. See table A-2 for each state's exact total, federal, and state and local expenditures.

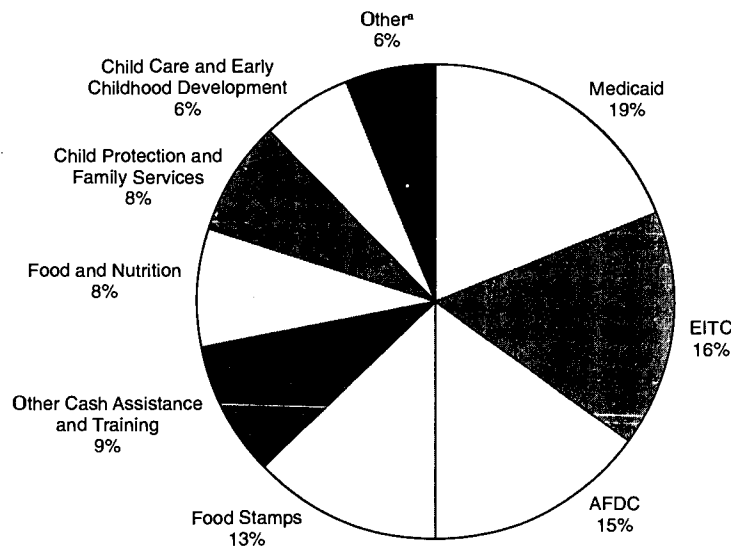
The spending ranged from a high of \$13,654 per poor child in Massachusetts to \$6,292 in Mississippi, or from 35 percent above to 38 percent below the 13-state mean. The 13 states' spending can be divided into four distinct groups, with three states spending substantially above the mean (Massachusetts, New York, and Minnesota from 24 to 35 percent above the mean), four states spending slightly more than the mean (Washington, Colorado, Wisconsin, and New Jersey from 4 to 15 percent above the mean), three states spending slightly below the mean (California, Michigan, and Florida from 6 to 16 percent below the mean), and three states spending substantially below the mean (Alabama, Texas, and Mississippi from 25 to 38 percent below the mean).

On average, federal funds constituted 69 percent of total spending on low-income children's programs. This varied from Mississippi, where 92 percent of the children's program spending came from federal funds, to Minnesota, where 57 percent of the state's spending came from federal sources.

Almost Two-Thirds of the Total Spending on Children Was in Four Federal Programs

Figure 2 shows the total (federal, state, and local) spending by major federal program and program category. As the figure shows, almost two-thirds of the total spending was in four federal programs—Medicaid, EITC, AFDC, and Food Stamps. In addition, the figure shows that more than one-half of the total

Figure 2 *Percentage of Spending on Children by Major Program and Category, 13-State Average—Federal, State, and Local Funds, SFY 1995*



Source: The Urban Institute.

a. Includes juvenile justice and youth services, and non-Medicaid-related health expenditures.

funds was spent on cash assistance and training programs—EITC, AFDC, Food Stamps, other cash assistance—and approximately one-fifth was spent on Medicaid and other health-related programs.

Of the four main federal programs, two are programs funded by both the state and federal governments (Medicaid and AFDC), and two are funded fully by the federal government (EITC and Food Stamps). States have very little control over these two fully federally funded programs. The EITC provides families with credits or refunds through the federal tax code, leaving states no direct effect on program expenditures, and although states pay for a portion of the administrative costs of the Food Stamps program, they can only indirectly affect the amount of food stamps a family receives by varying the family's AFDC grant amount.

On average, the EITC made up 16 percent of total spending on low-income children's programs and Food Stamps 13 percent of the total. However, the magnitude of these programs varied across the 13 states. In Alabama and Mississippi, combined EITC and Food Stamps spending accounted for 47 percent of total spending on children. In contrast, combined EITC and Food Stamps spending constituted 15 percent of total spending in Massachusetts and 18 percent in New York. Hence, the spending differences among the states, as shown in figure 1, would be much greater if the EITC and Food Stamps programs were excluded from the total.

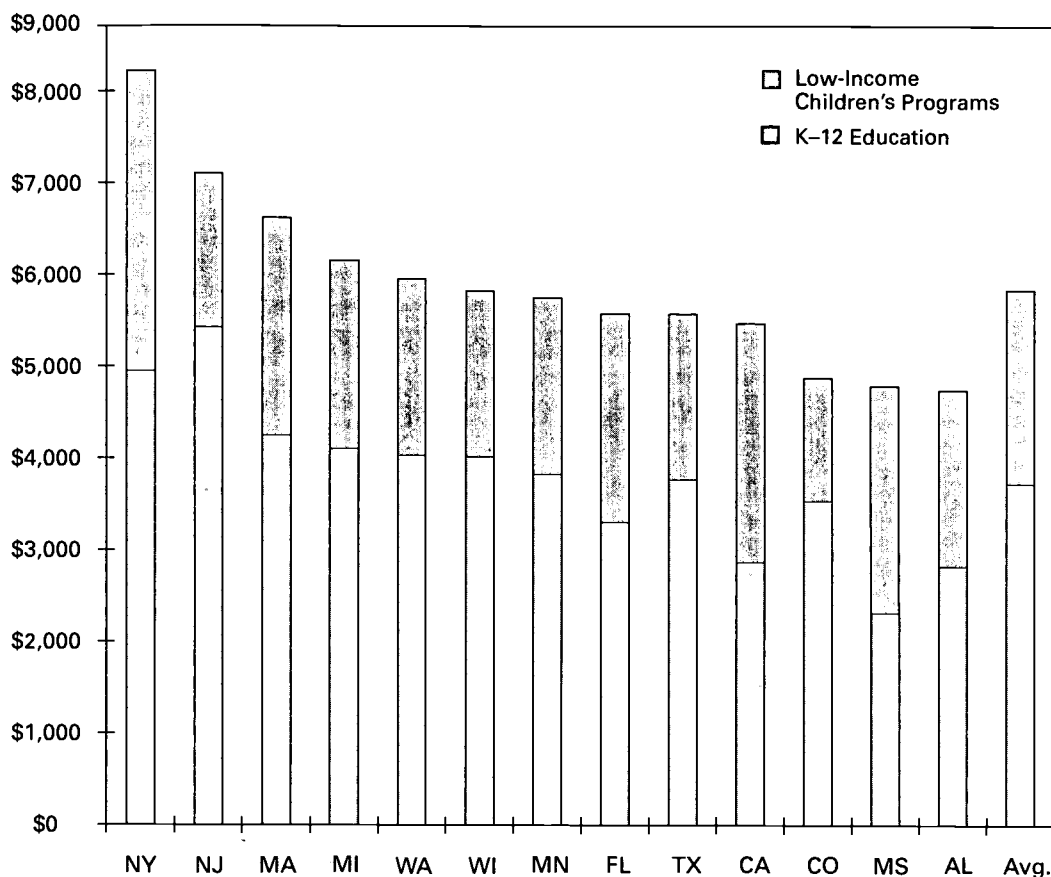
States Spend More on K–12 Education Than on All Other Children's Programs Combined

Although the focus of this report is non-education spending, states spend a large amount on education programs. In fact, all 13 states spent more on K–12



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Figure 3 Total Spending on K-12 Education and Low-Income Children's Programs—Federal, State, and Local Funds per Child, SFY 1995^a



Sources: The Urban Institute and U.S. Department of Education, *Digest of Education Statistics*.

a. Low-income children's programs that are not related to K-12 education but are administered by the states' departments of education (such as child care) are included in the low-income children's program spending total, and the spending has been subtracted out of the K-12 education total.

See table A-3 for each state's exact total, federal, and state and local expenditures.

education programs than on all low-income children's programs combined. Figure 3 shows, for each state, the total low-income and K-12 education spending per child, with the amount spent on education programs versus low-income children's programs broken out. Figure 3 compares the total spending on children's programs by the number of children in the state instead of the number of poor children because education programs are not means-tested. In SFY 1995, the 13 states spent an average of \$5,720 per child on combined K-12 education and low-income children's programs; spending ranged from a high of \$8,246 per child in New York to a low of \$4,487 per child in Alabama. On average for the 13 states, education programs accounted for 65 percent of total spending; the percentage going toward education programs varied from 77 percent in New Jersey to 52 percent in Mississippi.

How Much Do State and Local Governments Spend on Low-Income Children?

The previous discussion looked at how much federal, state, and local governments together spent on low-income children's programs. This section looks only at how much state and local governments spent on children's programs. The federal government provides funding for children's programs through two types of programs: fully federally funded programs and state matching programs. In fully federally funded programs, the federal government pays the entire cost of the program and determines the funding amount. In state matching programs, states are required to spend funds in order to receive matching federal funds, and thus states determine the total amount of funding. Removing the federal funds from the discussion takes away programs that are funded 100 percent by the federal government, such as the EITC and Food Stamps benefits, and the federal funds provided to states in federal matching programs. This leaves state and local funds that are used to fund state-initiated programs and to provide the matching funds for federal matching programs.

State and Local Spending on Low-Income Children

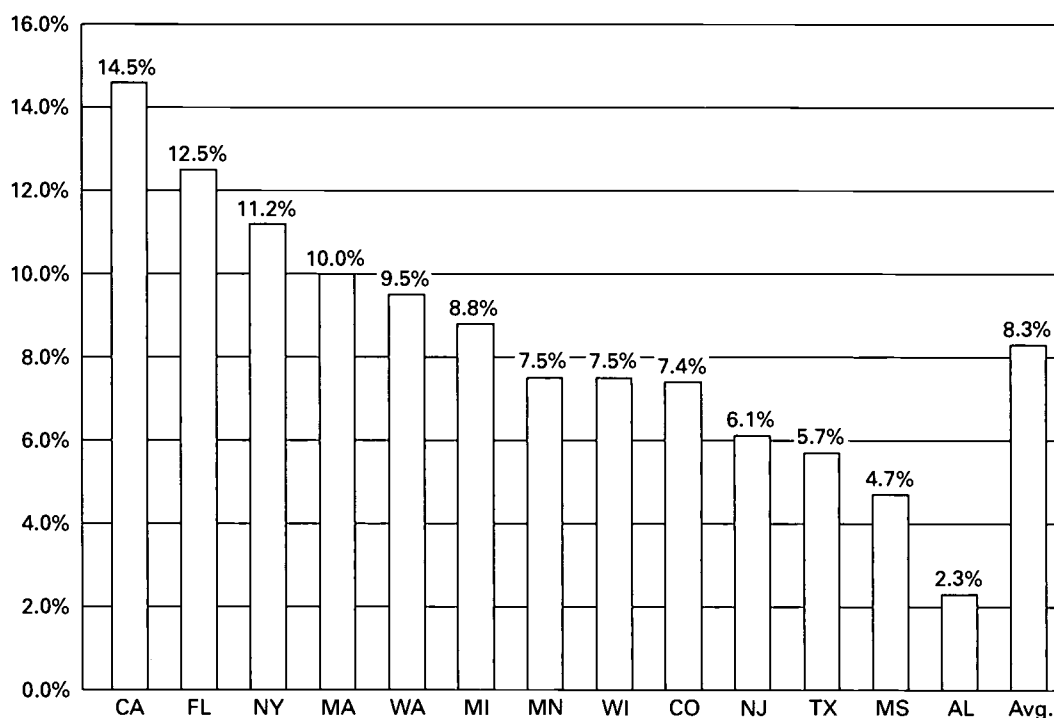
Figure 1 shows that the 13 states spent an average of \$3,153 per poor child in state and local funds on low-income children's programs in SFY 1995. The state and local spending on children's programs varied much more between the states

than did spending from a combination of federal, state, and local sources. This finding reflects the historic role the federal government has played in dampening the differences in state spending on low-income programs.⁴ The range of spending between the states was large, with Massachusetts spending a high of \$5,707 per poor child, or 81 percent above the 13-state mean, and Mississippi spending \$506 per poor child, or less than one-sixth of the 13-state mean. Three states spent substantially more than the mean (Minnesota, New York, and Massachusetts, from 69 to 81 percent above the mean), four states spent slightly more than the mean (California, Washington, Wisconsin, and New Jersey, from 4 to 21 percent above the mean), three states spent slightly below the mean (Colorado, Michigan, and Florida, from 4 to 28 percent below the mean), and three states spent significantly less than the mean (Texas, Alabama, and Mississippi, from 64 to 84 percent below the mean).

States Spend Less Than 10 Percent of Their Funds on Low-Income Children's Programs

One way of comparing spending across states is to look at spending per population, as was done in figure 1 with spending per poor child. Another way to compare is to look at the percentage of the state budget that is spent on low-income children's programs. This percentage shows the priority that states put on low-income children's programs relative to other types of programs the states

Figure 4 *Percentage of State General Fund Budget Spent on Low-Income Children's Programs,^a SFY 1995*



Source: The Urban Institute.

a. Total general fund spending includes general fund spending plus other state fund spending for K-12 education. Low-income children's spending in this figure includes spending from the state general fund and does not include federal, other state, or local fund sources.

fund. Figure 4 shows state general fund (GF) spending (which does not include federal funds) on low-income children's programs as a percentage of the total state GF budget.⁵ As the figure shows, states spent an average of 8.3 percent of the state GF budget on low-income children's programs. The percentages varied from 2.3 percent in Alabama to 14.5 percent in California.

The percentage of the state budget spent on low-income children's programs is an important statistic because it reflects how much of a priority states put on low-income children's programs versus other programs, but in comparing across states it must be viewed along with other measures. For example, a state may have a high percentage of state budget spending going to low-income children, but in comparison with other states it may not spend very much in dollar terms. For example, California and Florida spent the most of the 13 states in the percentage of the state GF going toward low-income children's programs. However, California ranked seventh and Florida tenth in the amount of state and local funds spent per poor child. These rankings, of course, reflect the two states' relatively high poverty rates.

Where Do States Spend Their General Fund?

If, on average, the 13 states spent only 8.3 percent of their state GF on low-income children's programs, where did these states spend the rest of their GF? Table 1 shows state GF spending by category as collected from NASBO. The table shows that for the 13 states, spending for K–12 education was the largest category, accounting for 38.2 percent of the state's GF budgets. The second largest category was "other" programs at 27.8 percent, the third largest was higher education at 13.3 percent, and the fourth largest was Medicaid at 12.5 percent. The "other" category covers spending not included in the named categories and, depending on the state, could include spending for transportation, hospitals and other health programs, economic development, environmental projects, state police, juvenile institutions, parks and recreation, housing, and general aid to local governments.

For comparison purposes, the far right-hand column of table 1 shows the numbers collected in this study on low-income children's spending as a proportion of state GF. Although these low-income children's programs numbers are not directly comparable to the NASBO numbers, they do give a sense of where spending on low-income children's programs ranks in relation to other state spending. The low-income children's programs numbers overlap with the NASBO numbers and would include NASBO's AFDC category, a portion of the Medicaid category (spending on children is 16.8 percent of total Medicaid expenditures nationwide), and an unknown portion of the "other" category. The definitions of NASBO's categories and the Urban Institute's are not identical. For example, the Urban Institute's AFDC amount does not include state overhead, and its Medicaid number is for spending on children for federal fiscal year 1995, whereas NASBO's Medicaid number is total Medicaid spending for SFY 1995. NASBO's notes also indicate that the "other" category includes juvenile institutions.



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Table 1 Comparison of Spending on Low-Income Children's Programs to Spending on Other Major Expenditure Categories, SFY 1995

State	Percentage of State General Fund Budget ^a						Total	Low-Income Children's Programs as Percent of State GF ^g
	K-12 ^b	Higher Education	Medicaid ^c	AFDC ^d	Corrections ^e	Other ^f		
Alabama	51.6	24.4	5.0	0.2	4.7	14.1	100	2.3
California	35.3	11.5	15.0	6.6	7.6	24.0	100	14.5
Colorado	39.9	16.6	18.2	1.1	7.5	16.8	100	7.4
Florida	40.3	11.4	13.1	2.1	9.5	23.5	100	12.5
Massachusetts	15.2	5.3	12.8	2.9	2.1	61.6	100	10.0
Michigan	52.7	10.6	9.0	2.5	7.6	17.6	100	8.8
Minnesota	31.8	16.5	15.3	1.5	2.7	32.2	100	7.5
Mississippi	46.8	16.7	5.2	0.6	7.0	23.7	100	4.7
New Jersey	29.7	7.3	15.6	1.6	4.6	41.3	100	6.1
New York	32.5	9.0	18.6	2.2	7.5	30.1	100	11.2
Texas	38.7	19.3	11.3	0.8	10.4	19.4	100	5.7
Washington	45.2	10.8	13.4	2.8	4.0	23.8	100	9.5
Wisconsin	37.4	13.0	10.6	1.8	4.2	33.0	100	7.5
13-state average	38.2	13.3	12.5	2.1	6.1	27.8	100	8.3

Sources: National Association of State Budget Officers, *1996 State Expenditure Report*, and (for low-income children's programs) the Urban Institute, 1998.

a. General fund spending does not include federal funds and also includes other state fund spending for K-12 education.

b. A very small portion of K-12 education spending is also included in total low-income children's expenditures in almost all of the 13 states.

c. In federal fiscal year 1995, approximately 17 percent of total Medicaid expenditures was for children. Consequently, a similar portion of Medicaid expenditures in each state was for children and would be included in the low-income children's spending. Expenditures amounts from NASBO and Urban Institute data collections are slightly different because of the time of reporting.

d. All AFDC spending is included in the low-income children's total. Expenditure amounts from NASBO and Urban Institute data collections are slightly different because of the time of reporting.

e. In the majority of cases, these expenditures do not include juvenile justice and youth services spending.

f. This category includes other cash assistance programs and transportation. Depending on the state, this category could also include spending for hospitals and other health programs, economic development, environmental projects, state police, juvenile institutions, parks and recreation, housing, and general aid to local governments. This category includes the majority of non-AFDC and Medicaid low-income children's spending.

g. Spending includes only general fund spending and does not include federal, other state, or local funds.

In relation to the NASBO categories, on average for the 13 states, spending on low-income children's programs ranks fifth, behind spending on K-12 education, other programs, higher education, and Medicaid. The rankings, however, varied from state to state, with spending on low-income children's programs ranking as high as third and as low as last among the program categories.

The Percentage of the Total State Budget Spent on Low-Income Children Is Slightly Higher Than the Percentage of the General Fund Budget

Table 2 shows total spending on low-income children's programs as a proportion of the *total* state budget, which includes both state and federal revenues. The table shows that states spent on average only 11.3 percent of all their funds on programs for low-income children, with Alabama spending only 7.2 percent and California spending 16 percent.⁶ These percentages were larger

Table 2 *Total Spending on Low-Income Children's Programs as a Percentage of the State Budget—Federal and State Funds, SFY 1995*

State	Total State Budget ^a Dollars (Millions)	Low-Income Children's Spending ^b		
		Dollars (Millions)	As a Percentage of Budget	Rank
Alabama	\$11,419	\$818	7.2%	13
California	88,497	14,194	16.0	1
Colorado	8,082	741	9.2	11
Florida	37,559	4,419	11.8	6
Massachusetts	19,014	2,682	14.1	2
Michigan	26,226	3,258	12.4	5
Minnesota	14,172	1,484	10.5	9
Mississippi	6,477	676	10.4	8
New Jersey	22,725	2,071	9.1	12
New York	66,676	8,877	13.3	3
Texas	37,005	4,701	12.7	4
Washington	16,566	1,850	11.2	7
Wisconsin	16,075	1,508	9.4	10
Average			11.3	

Sources: The Urban Institute and the National Association of State Budget Officers, *1996 State Expenditure Report*.

a. Total includes general fund, federal funds, other state funds, and bonds.

b. Children's total does not include local spending or direct federal expenditures to localities (e.g., Head Start).

and less varied than the percent of state GF spending spent on low-income children, again showing the effect of federal funding, which helps to equalize spending differences across states.⁷

The Role of Local Funding in Low-Income Children's Programs

Part of the data collection for this study involved a request to the states for the amount of local funds spent on the various programs. The researchers specifically asked for state-required local matches and any other local spending the state collected. The numbers in the study, therefore, are not exhaustive, and they understate the amount of local spending on these programs. In many states, however, the state officials responded that they felt there was not a lot of local spending beyond what they were collecting. Because of tight fiscal times, counties were cutting back on their discretionary spending. The one area in which the study is missing significant monies is juvenile justice programs. In many states, historically, juvenile justice programs have been funded and administered at the local level. In several of the 13 states, state officials told us there was local funding on juvenile justice programs, but they had no way of estimating it. The only way of getting this information would have been to survey all the counties in the 13 states.



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Table 3 Local Government Spending on Low-Income Children's Programs			
State	As Percentage of Total State and Local Low-Income Children's Spending	Dollars per Poor Child	Dollars per \$1,000 of Personal Income
Alabama	3%	\$22	\$0.07
California	13	419	1.22
Colorado	20	611	0.81
Florida ^a	0	1	0.00
Massachusetts	0	0	0.00
Michigan	2	59	0.14
Minnesota	31	1,667	2.76
Mississippi	0	0	0.00
New Jersey	10	375	0.43
New York	42	2,377	5.26
Texas ^a	0	0	0.00
Washington	0	0	0.00
Wisconsin	5	172	0.29

Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. Florida and Texas reported local spending; however, the amounts rounded to less than 1 percent of total state and local spending on low-income children.

Table 3 shows the amount of local spending on children's programs per poor child and per \$1,000 of personal income, and local spending as a proportion of total state and local spending, by state. As the table shows, five states—New Jersey, California, Colorado, Minnesota, and New York—reported significant local spending on children's programs. New York had the largest amount of local spending—\$2,377 per poor child, 42 percent of its total state and local spending on children's programs. Three states reported no local spending, and Alabama, Florida, Michigan, Texas, and Wisconsin reported that local spending accounted for 5 percent or less of their total state and local spending on children.

For the five states with significant local spending, almost all of the reported local spending was for state-required local matches or for spending on programs that the counties were required to provide. For example, New York required counties to pay a portion of many programs' costs. Most significant, it required counties to pay 50 percent of Medicaid, AFDC, and out-of-home care costs. California required counties to pay 60 percent of out-of-home care and 30 percent of child welfare services. In three of these five states, the largest amount of local dollars was spent in cash assistance and training programs, and in two of those states the largest amount went for child protection and family services. Two states, New York and Minnesota, spent significant local funds on health programs.

General Assistance (GA) programs have traditionally been locally funded programs. However, for the states that had GA programs, local low-income children's expenditures on these programs were small; New York had the largest percentage of its local funds, 5 percent, going for a GA program. The share of local funding going toward a GA program would be larger if one were considering the entire GA program, instead of just the portion that serves children and families. Several states reported expenditures for children's mental health programs, although when compared with cash assistance or child protection and family services programs, the expenditures on these programs were relatively small.

How Much of the Variation in Spending across the States Is a Reflection of a State's Ability to Raise Revenue?

The ability of a state to finance services for its child population depends in large part on its capacity to raise resources. This potential ability is commonly measured by per capita personal income because that is the primary state source for raising revenue. Per capita income varied considerably across the 13 states. New Jersey, Massachusetts, and New York placed far above the U.S. average of \$23,208. Mississippi, Alabama, and Texas placed far below the average.

Table 4 shows that, on average, the 13 states spent \$6.25 per \$1,000 of personal income in state and local funds on children's programs. New York's expenditure level of \$12.42 per \$1,000 of personal income was the highest, and Alabama's level of \$2.56 was the lowest. This analysis also shows that even when the different levels of personal income were taken into consideration, New York, which has one of the highest per capita incomes in the country, still spent almost five times as much on children's programs as Alabama, which has one of the lowest per capita incomes in the country. In other words, to finance programs for children, New York chose to draw on a much larger proportion of its available resources than Alabama did.

Table 4 also shows that states' rankings on total state and local spending relative to personal income differed from the rankings based on overall dollars spent shown in figure 1. When measured by spending in relation to per capita income, the relative differences in spending decreased. This change illustrates how some of the spending differences are related to states' ability to raise revenue. However, there were still significant differences in spending, and overall the rankings stayed generally the same—those states that spent the most per poor child also spent the most per \$1,000 of personal income, and those that spent the least per poor child also spent the least per \$1,000 of personal income. In addition, the states with the highest fiscal capacity (per capita income), in most cases, spent the most per \$1,000 of personal income.

Interestingly, some states' ranking did change from their position relative to poor children. Massachusetts moved from the highest level of spending per poor child (see figure 1) to the fourth highest level per \$1,000 of personal income. California moved up to the second highest level of spending per \$1,000 of personal income (\$9.52) from seventh in spending per poor child. New Jersey, in contrast, dropped from the fourth highest expenditure level relative to poor children to the ninth highest level of spending per \$1,000 of personal income (\$4.39). These changes illustrate how some states, like California, allocated a large share of their resources to children but still spent below the 13-state average per poor child (perhaps because it had a larger-than-average percentage of poor children). In contrast, other states, like New Jersey, spent a below-average amount of their available revenue on their child population but

Table 4 *State and Local Spending on Low-Income Children's Programs Relative to Fiscal Capacity, SFY 1995*

State	Per Capita Personal Income			State and Local Spending per \$1,000 of Personal Income			Federal Spending per \$1,000 of Personal Income		
	Dollars	Index ^a	Rank	Dollars	Index ^a	Rank	Dollars	Index ^a	Rank
Alabama	\$19,181	81	12	\$2.56	41	13	\$21.19	121	2
California	24,073	102	4	9.52	152	2	18.16	104	4
Colorado	23,961	101	6	4.01	64	10	10.68	61	12
Florida	23,061	97	9	5.91	95	8	16.32	93	6
Massachusetts	28,021	118	2	8.18	131	4	11.39	65	11
Michigan	23,915	101	7	6.09	98	6	14.88	85	7
Minnesota	23,971	101	5	8.84	142	3	11.89	68	10
Mississippi	16,683	70	13	2.92	47	12	33.37	191	1
New Jersey	29,848	126	1	4.39	70	9	9.00	51	13
New York	27,678	117	3	12.42	199	1	17.05	97	5
Texas	21,206	90	11	3.93	63	11	19.71	113	3
Washington	23,774	100	8	6.48	104	5	13.24	76	8
Wisconsin	22,261	94	10	5.95	95	7	13.10	75	9
13-State Average	23,664	100		6.25	100		17.50	100	

Source: The Urban Institute.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is computed by dividing its total by the 13-state average.

still spent more per poor child than the 13-state average (perhaps, in New Jersey's case, because it had a smaller-than-average percentage of poor children).

It is also important to note the role of federal funding. The federal funds that a state and a state's residents receive expand the ability of that state to provide services and expand the state's fiscal capacity. Table 4 illustrates that the states with the lowest per capita income received the highest level of federal dollars for spending on children's programs per \$1,000 of personal income. For example, Mississippi received \$33.37 in federal dollars per \$1,000 of personal income, which was 90 percent above the average. In contrast, New Jersey only received \$9.00. Hence, these federal dollars expanded poorer states' fiscal capacities more than they increased the capacities of affluent states.⁸



How Do States Allocate Their Spending for Children among the Various Types of Children's Programs?

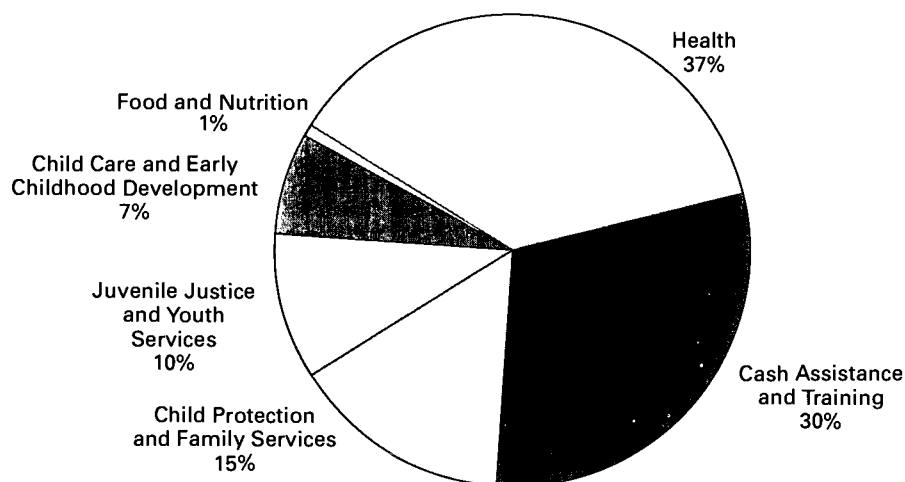
The first four sections reviewed the amounts that federal, state, and local governments spent on low-income children's programs and how expenditures on children's programs compared with spending on other types of programs. This section looks at state and local expenditures on low-income children and reviews how the states chose to spend these funds, referred to as their "children's funding."

States Spend Most of Their Funds on Health, Cash Assistance and Training, and Child Protection and Family Services Programs

Figure 5 shows the average state and local spending for the 13 states by the six program categories. The pie chart shows that the largest category of expenditures was health (37 percent), followed by cash assistance and training (30 percent) and child protection and family services (15 percent). However, because such a significant part of the funding in the health category was Medicaid, and in the cash assistance category was AFDC, spending on Medicaid and AFDC alone constituted 52 percent of the state and local monies spent on children's programs.

The fact that states spent most of their funds on health, cash assistance, child protection, and juvenile justice and youth services, in that order, was probably a result of several factors, including the incentives inherent in the fed-

Figure 5 *Allocation of Low-Income Children's Program Spending—State and Local Funds, SFY 1995*



Source: The Urban Institute.

eral funding structure, the cost of providing the different services, the need for services, and the relative importance of the services.

The system of unlimited federal matching of state spending on certain programs undoubtedly led states to spend more on those programs (such as Medicaid and AFDC) than on federal matching programs that are capped (such as Child Welfare Title IV-B). After funding health and cash assistance and training programs, states then may have funded child protection and juvenile justice because fewer federal funds were provided in these programs and the need for state funds was greater. In addition to the federal funding structure, the cost of providing services may explain some of the differences in spending. Some services cost more to provide per unit than other services (e.g., cost of out-of-home care versus child care per child). Furthermore, some of the difference in allocating funds between programs probably came about because there is a greater need for some types of services than for others. Finally, the funding distributions also reflect the importance of the programs to the state governments. States may have believed that health care and cash assistance for housing and food costs to low-income children were the most important services to provide and thus allocated most of their funds to the Medicaid and AFDC programs.

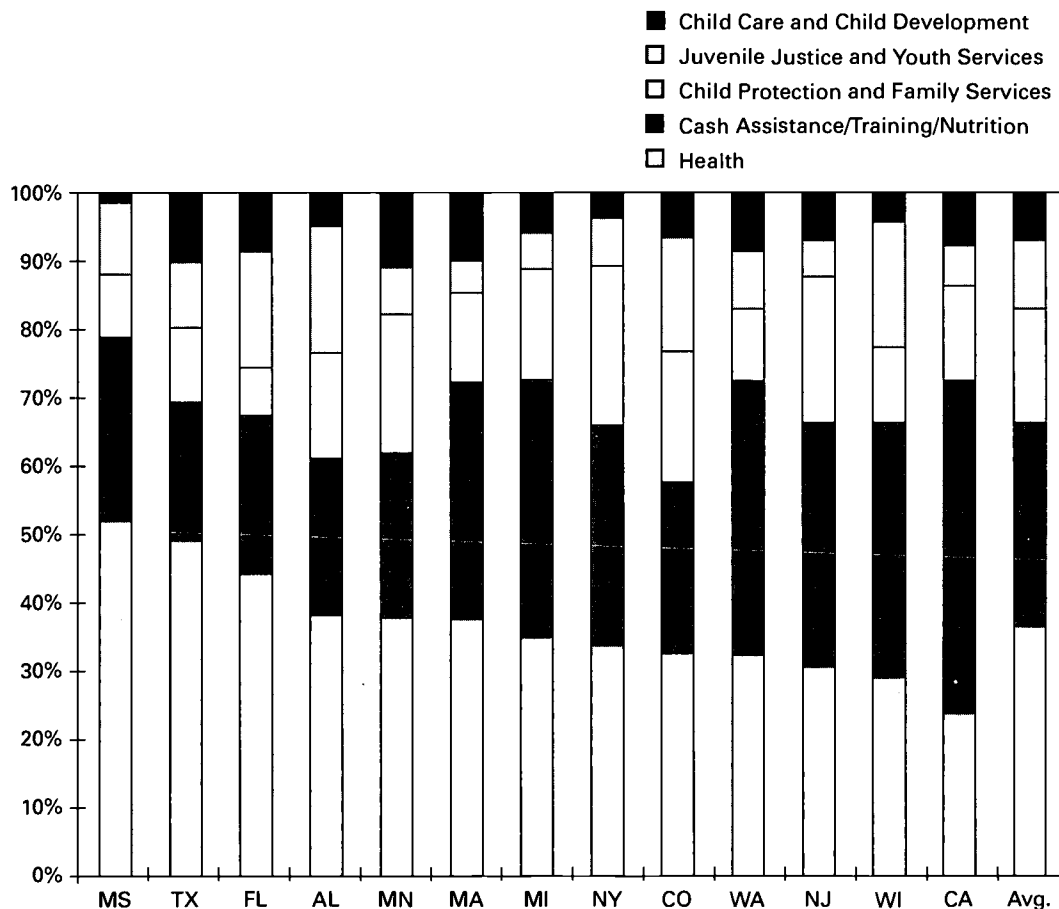
States Vary in How They Spend Their Monies on Children's Programs

Although states spent most of their state and local funds on health and cash assistance and training programs, there was a wide range of spending on these two categories. Florida, Texas, and Mississippi spent approximately one-half of their children's funding on health programs and about one-fifth on cash assistance and training programs. In contrast, California spent only one-fourth of its children's funding on health programs and spent one-half on cash assistance and training programs. New York allocated similar percentages of its funds to each (34 and 32 percent).

This variance among the states in allocating their children's funds was also apparent in the other program categories. Figure 6 shows the percentage of state and local children's funding in the program categories. The third largest category of spending in the 13 states was either child protection (10 states) or juvenile justice (3 states). On average, the 13 states spent 15 percent of their funds on child protection and family services programs, but three states (Minnesota, New Jersey, and New York) spent 20 percent or more of their funds. Four states stand out in their proportion of funds spent on juvenile justice and youth programs (Florida, Colorado, Alabama, and Wisconsin), spending from 17 to 19 percent, and three states (Massachusetts, Michigan, and New Jersey) allocated 5 percent of their children's funding to these programs.

Spending on child care and child development programs averaged 7 percent. Only two states (Texas and Minnesota) spent 10 percent or more, and two states (Mississippi and New York) spent 3 percent or less on these programs.

Figure 6 *Proportion of Low-Income Children's Spending by Program Category—State and Local Funds, SFY 1995*



Source: The Urban Institute.
 Note: Nutrition spending is included with cash assistance and training. The 13 states spent an average of 1 percent of total state and local funds on nutrition, and no state spent more than 2 percent.
 See table A-6 for each state's exact proportion of state spending by program category.

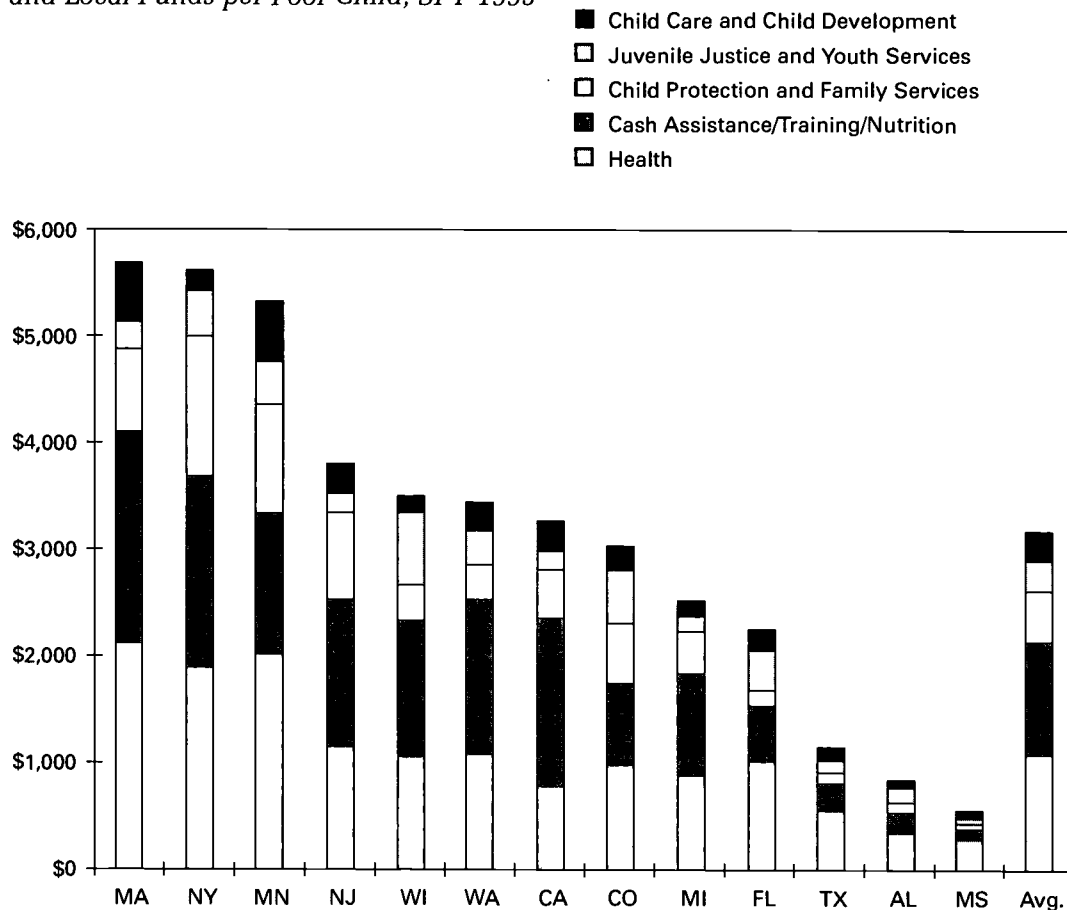


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The one thing the states did have in common was that none of the states spent significant funds on food and nutrition programs; no state spent more than 2 percent of its funds on these programs.

Comparing the percentage of funds spent on program categories between states illustrates the differences among states in how they set priorities among programs. But comparing between states also requires looking at the absolute amount spent in the states. Figure 7 (and later table 13) shows the state and local children's funding by program category for the 13 states. For example, Texas allocated 10 percent of its funds to child care and child development programs—the second largest percentage among the 13 states—but spent substantially less per poor child (\$112) than New York, which allocated only 3 percent of its children's spending to child care programs but spent \$171 per poor child. Similarly, although Massachusetts spent the smallest proportion of its children's funds on juvenile justice programs, its juvenile justice spending per child still ranked seventh among the 13 states.

Figure 7 *Spending on Low-Income Children's Programs by Program Category—State and Local Funds per Poor Child, SFY 1995*



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages. Nutrition spending is included with cash assistance and training. The 13 states spent an average of 1 percent of total state and local funds on nutrition, and no state spent more than 2 percent.

See table 13 for each state's exact state and local expenditures by program category.

Why states allocated such different amounts and percentages of their children's funding to program categories is probably related to differences that exist among the states, some of which are idiosyncratic. Different populations, modes of delivering services, costs of providing services (e.g., housing costs in California versus Texas), eligibility requirements, and need for services may explain some of the variations. The different preferences of states for funding certain programs, however, were probably also a reflection of the states' differing cultural and political histories that favored funding certain programs over others. The large variations in spending per \$1,000 of personal income provide some evidence of this conclusion, as noted in the last section.

In addition, although this study focused on total spending on children's programs, it does not necessarily mean that the states spending more provided more or better services. This observation was most apparent in the health category, where higher spending did not necessarily reflect broader coverage. For example, in California, the low health spending per poor child was related in part to California's ability to negotiate low provider rates. The following section provides more detail on the programs that states funded within the categories, to demonstrate what the funding differences mean in terms of services to low-income children.



A Closer Look: Total and State Spending within the Categories

This section reviews total and state spending on children's programs within the six categories to provide a closer look at the types of programs the 13 states are funding. The six categories are cash assistance and training, health, child protection and family services, child care and early childhood development, food and nutrition, and juvenile justice and youth services.

Cash Assistance and Training

Total Spending Levels Were Very Similar across the States

The 13 states spent the largest share of their state and federal funds on cash assistance and training programs. Figure 8 shows total cash assistance and training spending in two groupings: federal funds and state and local funds. This category includes spending on programs providing economic support and job training to children, youth, and families. The category includes the feder-

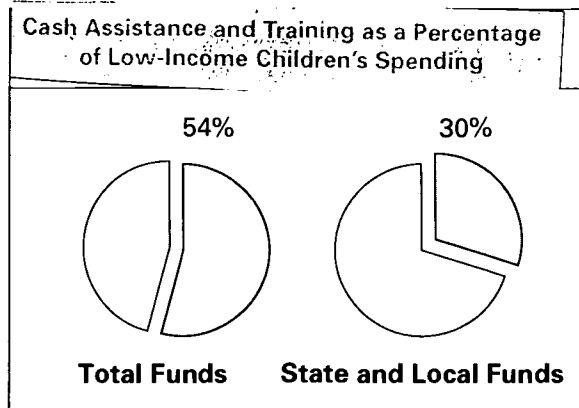
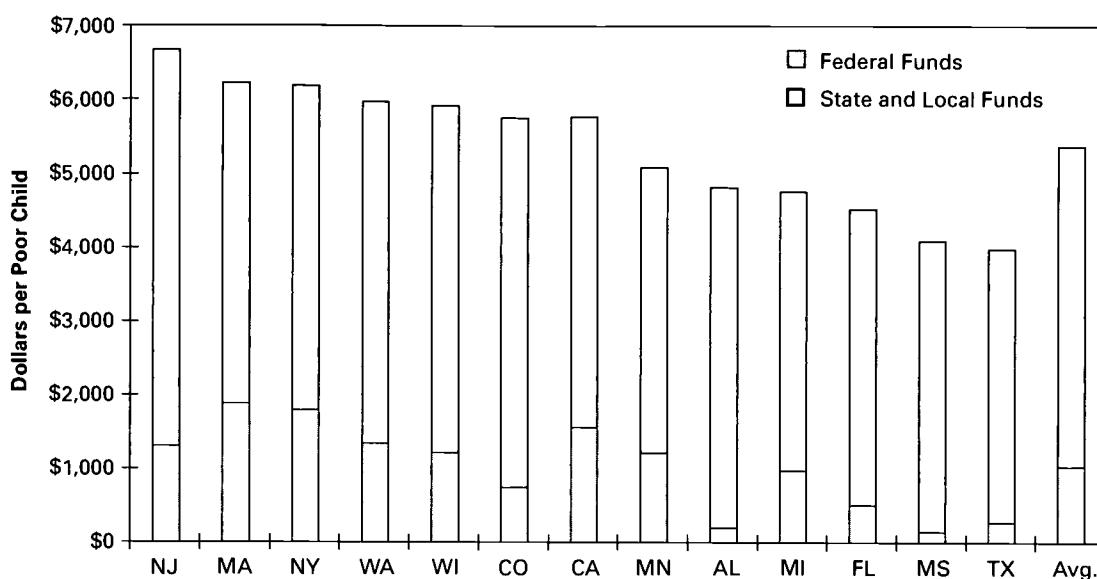


Figure 8 *Cash Assistance and Training Spending—Federal and State and Local Funds per Poor Child, SFY 1995*



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages. This category includes Aid to Families with Dependent Children (AFDC), Food Stamps, the Earned Income Tax Credit (EITC), Supplemental Security Income (SSI), Child Support, Job Opportunities and Basic Skills (JOBS), and Job Training Partnership Act (JTPA) IIB and IIC. In addition, it includes state-initiated programs such as General Assistance, Emergency Assistance, and youth and welfare job training.

See table 5 for each state's exact total expenditures and table 13 for each state's exact state and local expenditures.

ally funded programs of AFDC, Food Stamps, the EITC, Supplemental Security Income (SSI), Child Support, Job Opportunities and Basic Skills (JOBS), and Job Training Partnership Act (JTPA) IIB and IIC. In addition, it includes state-initiated programs such as General Assistance, Emergency Assistance, and youth and welfare job training.

Table 5 provides more detail on total spending and shows spending by the major programs and subcategories. As the table shows, cash assistance programs made up approximately 96 percent of the total cash assistance and training categorical expenditures. EITC, AFDC, and Food Stamps accounted for the largest proportions, comprising more than 83 percent of the total. Combined local, state, and federal spending on these programs averaged \$5,330 per poor child. The spending ranged from a high of \$6,614 per poor child in New Jersey to a low of \$3,965 per poor child in Texas. Overall, cash assistance and training spending levels across states were very similar, with no state ranking more than 24 percent above or below the 13-state mean.

State and Local Spending Was One-Fifth of the Total

The 13 states spent an average of \$1,011 per poor child in state and local funds on cash assistance and training programs, one-fifth of total funds. Spending levels among states varied much more than when federal aid was included.

Table 5 Cash Assistance and Training Spending—Federal, State, and Local Funds per Poor Child, SFY 1995

State	Dollars	Index ^a	Rank	Spending by Subcategory ^b (Percent)					
				EITC	AFDC	Food Stamps	SSI	Training	Other
Alabama	\$4,792	90	9	45%	6%	30%	11%	2%	5%
California	5,731	108	7	23	50	17	3	3	3
Colorado	5,737	108	6	36	22	26	6	5	5
Florida	4,467	84	11	36	25	27	7	3	3
Massachusetts	6,164	116	2	16	46	17	5	4	11
Michigan	4,709	88	10	21	39	24	7	3	5
Minnesota	5,064	95	8	27	30	21	5	4	13
Mississippi	4,061	76	12	43	8	31	12	3	3
New Jersey	6,614	124	1	27	32	22	6	4	9
New York	6,139	115	3	20	42	20	6	4	9
Texas	3,965	74	13	42	11	36	5	4	2
Washington	5,953	112	4	21	38	23	4	4	10
Wisconsin	5,901	111	5	28	34	17	11	5	6
Average	5,330	100		30	29	24	7	4	6

Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

b. Percentages may not add to 100 because of rounding.

Massachusetts, with the highest level of expenditures (\$1,888—87 percent above the average), spent more than 10 times as much as the lowest-spending state, Mississippi (\$124—88 percent below the average). The 13 states fell into four major spending clusters. California, New York, and Massachusetts all spent at levels far above the average per poor child (53 to 87 percent above); Minnesota, Wisconsin, New Jersey, and Washington spent 21 to 35 percent above the average; Colorado and Michigan fell below the average (26 and 6 percent); and Florida, Texas, Alabama, and Mississippi fell far below the average (50 to 88 percent).

States with High AFDC Benefit Levels Had High Cash Assistance Spending

One reason for the large differences in state spending on cash assistance and training programs is that states can set their own AFDC policies. In addition to policy control over program requirements (e.g., work requirements), states determine AFDC benefit levels. Table 6 shows the wide variations in 1995 in state benefit levels and total state cash assistance and training spending per poor child. As would be expected, the states with the most generous benefit levels also had the highest state cash assistance spending per poor child, while those with the lowest benefit levels had the lowest spending levels. The states with low benefit levels also had high Food Stamp spending levels.

Eight States Had State-Initiated General Assistance Programs

Some states have created state family assistance programs to serve families that do not meet the federal eligibility requirements for AFDC. Table 7 lists the states that had state-funded or state-mandated General Assistance (GA) pro-



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Table 6 *State Benefit Levels and Spending on Cash Assistance and Training per Poor Child, SFY 1995*

State	AFDC Maximum Grant for a Family of Three (in Dollars)	State and Local Cash Assistance and Training Spending per Poor Child (in Dollars)
Alabama	\$164	\$183
California	607	1,550
Colorado	421	748
Florida	303	505
Massachusetts	565	1,888
Michigan	459	953
Minnesota	532	1,226
Mississippi	120	124
New Jersey	424	1,339
New York	577	1,781
Texas	188	218
Washington	546	1,362
Wisconsin	517	1,266

Source: The Urban Institute and "Assessing the New Federalism State Database," the Urban Institute, <http://newfederalism.urban.org/nfdb/index.htm> (2/98).

grams in 1995. Three states—Colorado, Florida, and Texas—did not have state laws requiring counties to provide GA programs but had some counties that did provide some type of program on their own. However, these states could not provide expenditure information for these individual counties.

Many states provided GA to both single adults and families with children, and in some cases offered cash benefits to these two populations under the same program, making it difficult to aggregate expenditures on children. State documents made it possible to derive estimates on actual children's spending in California, Massachusetts, Washington, and Wisconsin.

Expenditures on these programs constituted approximately 4 percent of state-only cash assistance and training expenditures (for the eight that had programs). New York had the largest proportion, spending more than 13 percent of its state-only money on non-AFDC-eligible families. (This total does not include New York's spending on other state-initiated cash assistance programs such as Rehousing Assistance and the Rent Supplement Program. These two programs, which accounted for \$13 million in state money, provided services to AFDC- and non-AFDC-eligible families and are not included in the table because they are housing programs, not cash assistance.)

All of these programs served children, pregnant women, or families who were not eligible for federal assistance in 1995. Eligibility guidelines did vary across the states. For example, New Jersey had an expansive GA program and provided benefits to employed families. Massachusetts required that its GA recipients meet certain income guidelines and not be capable of working. Michigan provided benefits only to those families that met the federal AFDC-Unemployed Parent eligibility criteria but did not fulfill the federal requirement of "recent job market contact." Minnesota offered benefits to fam-

Table 7 State-Funded or State-Mandated General Assistance Programs, SFY 1995

State	General Assistance Program Name (Description)	Total Expenditures on Families and Children
Alabama	No state program	N/A
California	General Relief (county-funded program that is mandated by the state)	\$21.8 million ^a
Colorado	No state-mandated program (six counties have their own programs)	N/A
Florida	No state-mandated program (a few counties have their own programs)	N/A
Massachusetts	Emergency Aid to Elderly, Disabled, and Children	\$21.1 million ^b
Michigan	State Family Assistance	\$12.8 million
Minnesota	General Assistance	\$11.0 million
Mississippi	No state program	N/A
New Jersey	Insufficient Employment of a Parent	\$16.9 million
New York	Home Relief	\$260.6 million
Texas	No state program (one county has its own program)	N/A
Washington	State program for pregnant women in first two trimesters and Children with Guardian	\$6.5 million \$0.4 million ^c
Wisconsin	State program (primarily serving single adults)	\$0.3 million ^d

Source: The Urban Institute.

a. Estimated using monthly data.

b. Estimated on children and youth up to 21.

c. Estimate based on annual data from the Washington Department of Health and Social Services.

d. Rough estimate based on Wisconsin Department of Health and Social Services data.

ilies who did not qualify for AFDC and had a disabled child. Washington provided assistance only to pregnant women in their first two trimesters and to non-federally eligible children who lived with guardians.

Three States Spent Considerable Funds on State EITC Programs

In addition to state-initiated GA programs, three states—Minnesota, New York, and Wisconsin—had state Earned Income Tax Credit (EITC) programs. These expenditures comprised a large portion of state-only cash assistance and training dollars in Wisconsin (20 percent) and Minnesota (13 percent). Minnesota based its tax credit on 15 percent of the federal credit. In contrast, Wisconsin used its own credit schedule and did not determine a resident's credit as a percentage of the federal EITC.

Health

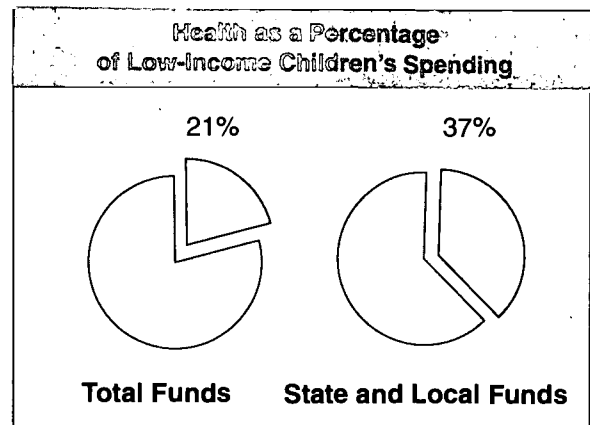
Almost 90 Percent of States' Total Health Spending Was on Medicaid-Related Expenses

The second largest expenditure category among the 13 states was health. Figure 9 shows total health spending by federal and state and local funds. This cat-



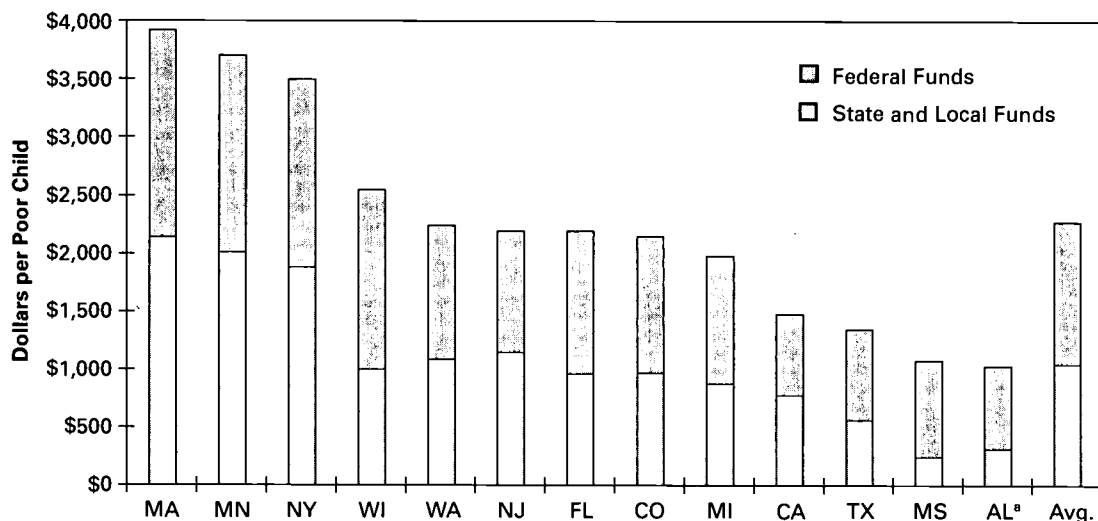
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egory includes all programs providing medical services to children and pregnant women. This captures all expenditures on Medicaid and includes "other children's health services" and mental health. The "other children's health services" subcategory includes the Maternal and Child Health (MCH) Block Grant.⁹ MCH services include treatment for children with special needs, lead poisoning prevention, immunization, adolescent pregnancy prevention, and maternal and child health. Table 8 shows the expenditure levels per poor child in each of the 13 states and spending by subcategory. As the table shows, states spent approximately 87 percent of their total health dollars on Medicaid-related expenses, 10 percent on other children's services, and 4 percent on mental health programs. Total state and federal spending on health programs averaged \$2,246 per poor child.



Unlike cash assistance and training totals, health expenditure levels varied tremendously across the 13 states. As table 8 shows, Massachusetts had the highest expenditure level, spending \$3,919 per poor child and ranking 74 percent above the average. Alabama had the lowest expenditure level, \$1,030 per poor child, which was 46 percent below the average.

Figure 9 *Health Spending—Federal and State and Local Funds per Poor Child, SFY 1995*



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. Alabama health spending does not include spending on children's mental health services because the state was not able to break out spending on children versus adults.

See table 8 for each state's exact total expenditures and table 13 for each state's exact state and local expenditures.

Table 8 Health Spending—Federal, State, and Local Funds per Poor Child, SFY 1995

State	Dollars	Index ^a	Rank	Spending by Subcategory ^b (Percent)		
				Medicaid	Other Children's Services	Mental Health
Alabama ^c	\$1,030	46	13	85%	15%	0%
California	1,457	65	10	87	9	4
Colorado	2,127	95	8	87	10	3
Florida	2,170	97	7	88	9	3
Massachusetts	3,919	174	1	87	10	3
Michigan	1,968	88	9	91	7	3
Minnesota	3,684	164	2	75	15	10
Mississippi	1,072	48	12	88	8	3
New Jersey	2,187	97	6	84	8	8
New York	3,493	156	3	88	8	4
Texas	1,340	60	11	87	12	1
Washington	2,214	99	5	88	6	6
Wisconsin	2,539	113	4	93	6	2
Average	2,246	100		87	10	4

Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

b. Percentages may not add to 100 because of rounding.

c. Alabama health spending does not include spending on children's mental health services because the state was not able to break out spending on children versus adults.

The States Share Equally with the Federal Government in Funding Health Programs

States spent an average of \$1,087 per poor child of their own money on health services. This average spending level was a little less than half the total state and federal health expenditure level, illustrating the importance of state dollars in funding children's health. Unlike most other categories, states do not receive large allocations of nonmatched federally funded dollars for child health programs. They have to invest in Medicaid and MCH in order to draw down the federal money. The majority of states funded non-Medicaid "other children's health services" by using MCH funds, which requires states to match each \$4 of federal funds with \$3 in state funds.

The states fell into five major spending clusters. New York, Minnesota, and Massachusetts all placed far above the mean (74 to 96 percent above) in spending per poor child. New Jersey and Washington ranked right above the mean (7 and 3 percent above, respectively), and Wisconsin, Florida, and Colorado fell a little below the mean (6 to 9 percent below). Michigan and California were in the fourth group, placing 20 and 28 percent below the mean, and Texas, Alabama, and Mississippi ranked very far below the mean (48 to 76 percent below).

States used the Medicaid program to provide their children with a large array of acute and long-term care services. Acute care services included inpatient hospital treatment, physician-related services, laboratory and X-ray



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services, outpatient and community health clinics, case management, dental care, and early and periodic screening, diagnosis, and treatment (EPSDT). In addition, some of the states have used Medicaid to pay for child-welfare-related expenses. They have received federal reimbursement for targeted case management and prevention services for children who are in the child welfare system. For the country as a whole, acute care services comprised an average of 93 percent of children's Medicaid spending.¹⁰ Table 9 shows the different levels of Medicaid spending per poor child. Massachusetts also had the highest level of Medicaid spending (\$3,441 per poor child), and Alabama had the lowest (\$875 per poor child).

Table 9 illustrates how states varied in their Medicaid coverage of the low-income child population. Federal law requires states to provide Medicaid services to pregnant women and children under age six with family incomes below 133 percent of the federal poverty level. Also, states in 1995 were required to cover children up to age 12 whose family income was below 100 percent of the poverty level. Many states, including 12 of the 13 states covered in this report, made efforts to expand Medicaid coverage beyond the federal requirements for one or all of these population groups. Table 9 also shows that the states that spent the most per poor child did not necessarily provide coverage to the largest number of pregnant women and children. However, because states also vary in the breadth of coverage provided, it is difficult to conclude from this table that some states provide more cost-efficient services. Certainly, expenditures alone do not explain the amount of services provided.

Six States Had State-Initiated Child Health Programs

California, Colorado, Florida, Massachusetts, Minnesota, and New York all provided state health programs that serve low-income children who were not

Table 9 *States' Medicaid Coverage of Low-Income Children, FFY 1995*

State	Expenditures per Poor Child		Medicaid Coverage Relative to Federal Poverty Level (1995)		
	Dollars	Rank	Pregnant Women and Infants	Children under Six	Children Six and Older
Alabama	\$875	13	133%	133%	133% under 12
California	1,262	10	200	133	100% under 19
Colorado	1,850	7	133	133	100% under 12
Florida	1,913	6	185	133	100% under 20
Massachusetts	3,441	1	185	133	100% under 12
Michigan	1,780	9	185	150	150% under 15
Minnesota	2,772	3	275	133	100% under 12
Mississippi	948	12	185	133	100% under 12
New Jersey	1,833	8	185	133	100% under 12
New York	3,070	2	185	133	100% under 12
Texas	1,164	11	185	13	100% under 12
Washington	1,945	5	20	20	200% under 19
Wisconsin	2,348	4	185	18	100% under 12

Source: The Urban Institute.

eligible for Medicaid.¹¹ Minnesota's program accounted for 11 percent of the state's health spending. In the other five states, these state-administered programs accounted for only 1 to 3 percent of their state health dollars.

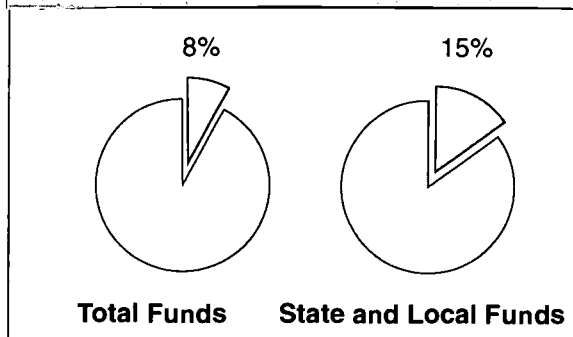
California limited its state-only program to pregnant women and children under 2; Colorado and Massachusetts provided the program to children under 12; New York served children under 15; and Florida and Minnesota provided services for children up to 19. All of the states required families to contribute to the costs based on a sliding fee schedule. Some of the states, such as Minnesota and New York, provided larger subsidies than others. In addition, many of these states paid for a large portion of these programs using non-general fund money. They developed trust funds from user fees (e.g., liquor and tobacco taxes) and unused funds from other health programs.

Child Protection and Family Services

New York Spent More Than Three Times the 13-State Average

Figure 10 shows total child protection and family services spending by federal and state and local funds. Child protection and family services includes all state and federal expenditures that preserve and protect the well-being of children and their families. This section covers state spending relative to children, instead of poor children, because states are legally obligated to ensure the safety of all children, regardless of income level. This category captures spending for children who must be temporarily or permanently removed from their parents' homes, adoptions, investigations of incidence of child abuse and neglect, prevention of child victimization, and preservation and support of families where children are at risk of abuse and neglect. As table 10 shows, out-of-home placement spending, including adoption costs, accounted for nearly 56 percent, and other child-welfare-related services 44 percent, of total state and federal child protection and family services expenditures. States spent less than 1 percent of their total spending in this category on child abuse prevention programs.

Child Protection and Family Services as a Percentage of Low-Income Children's Spending

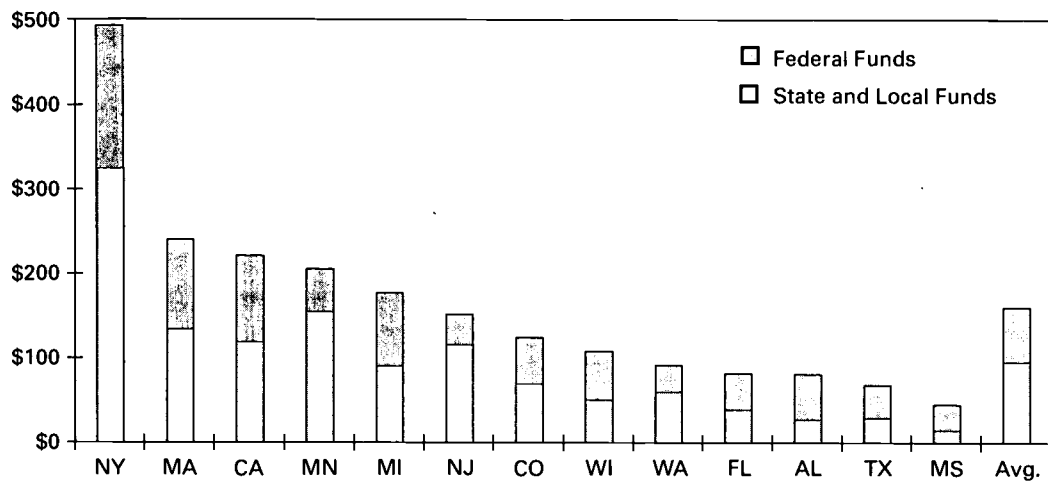


Total spending on these programs averaged \$160 per child. New York's expenditure level of \$492 per child was by far the highest spending level, at more than three times the 13-state average. Mississippi spent the least per child (\$46), falling 71 percent below the average.

Total spending on these programs averaged \$160 per child. New York's expenditure level of \$492 per child was by far the highest spending level, at more than three times the 13-state average. Mississippi spent the least per child (\$46), falling 71 percent below the average.

States funded child protection and family services through two major federal funding streams: Titles IV-E and IV-B of the Social Security Act. Title IV-E

Figure 10 *Child Protection and Family Services Spending—Federal and State and Local Funds per Child, SFY 1995*



Source: The Urban Institute.

See table 10 for each state's exact total expenditures and table A-7 for each state's exact state and local expenditures.

is an uncapped matching program that provides states with funds to place eligible children in out-of-home placements. IV-B is a capped matching program that gives states money to pay for other child-welfare-related services. Because IV-B monies were limited, many states also tapped IV-E funds for other child-welfare-related services that were still associated with placing a child outside the home and thus eligible for federal reimbursement. States also supplemented

Table 10 *Child Protection and Family Services Spending—Federal, State, and Local Funds per Child, SFY 1995*

State	Dollars	Index ^a	Rank	Spending by Subcategory ^b (Percent)	
				Out-of-Home Placements	Child Welfare Services
Alabama	\$80	50	11	56%	44%
California	222	139	3	60	40
Colorado	125	78	7	56	44
Florida	81	51	10	43	57
Massachusetts	239	149	2	60	40
Michigan	175	109	5	65	35
Minnesota	207	129	4	65	35
Mississippi	46	29	13	26	74
New Jersey	150	94	6	59	41
New York	492	307	1	77	23
Texas	68	42	12	56	44
Washington	90	56	9	57	43
Wisconsin	106	66	8	53	47
Average	160	100		56	44

Source: The Urban Institute.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

b. Percentages may not add to 100 because of rounding.

these two federal funding streams with Title XX, Social Service Block Grant (SSBG), money. They used this funding stream to expand child-welfare-related services and in some cases to pay for out-of-home placements for children not eligible under IV-E. States also utilized Title IV-A Emergency Assistance (EA) funds to pay for short-term out-of-home placements and costs related to child protection and child-related services.

States Provide the Majority of Funding

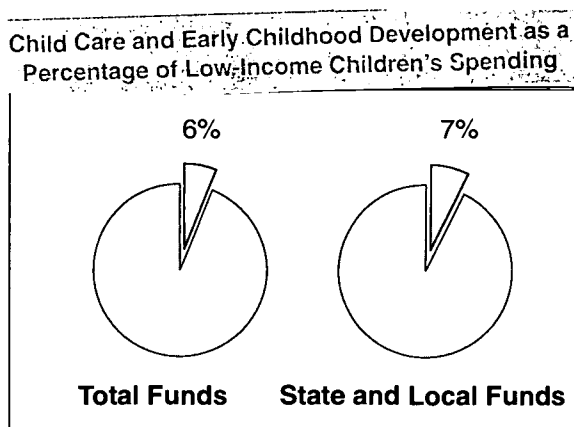
State and local child protection and family services spending per child averaged \$97—approximately 60 percent of the average total state and federal expenditure level. New York had the highest level of spending per child (\$327). Minnesota, Massachusetts, California, and New Jersey each invested from 63 to 20 percent above the 13-state average. Michigan placed 6 percent below the average, and Colorado, Washington, and Wisconsin ranked 26 to 43 percent below the average. Florida, Texas, Alabama, and Mississippi ranked from 56 to 82 percent below the 13-state average.

The large variations in state child protection and family services spending result, in part, from some states' high reliance on federally funded programs to pay for child protection and family services. For example, Mississippi spent only \$17 per child in state funds, but its total spending was \$46 per child. Alabama, Texas, and Florida spent less than \$44 per child in state funds on child protection and family services programs.

Child Care and Early Childhood Development

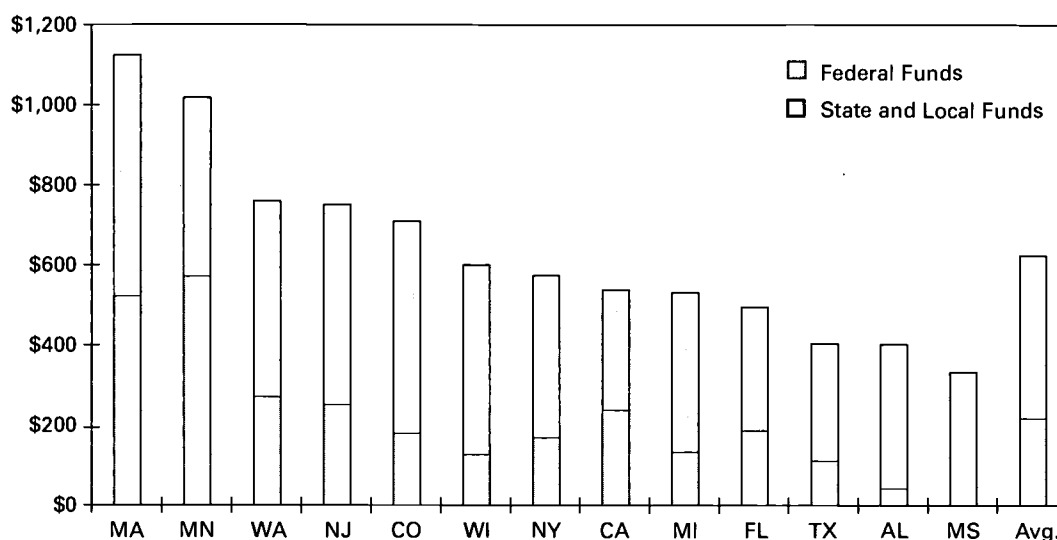
Most Funds Were Spent on Early Childhood Development Programs

Figure 11 shows total child care and early childhood development spending by federal and state and local funds. The child care and early childhood development program category captures state and federal spending on child care programs for welfare recipients and low-income persons, and child development for children from birth to age five. (The portion of the AFDC grant that reflects the child care disregard was included in the cash assistance category because most states could not separate it out.)



As table 11 shows, states averaged \$631 per poor child on total federal and state child care and child development expenditures. Expenditures ranged from

Figure 11 *Child Care and Early Childhood Development Spending—Federal and State and Local Funds per Poor Child, SFY 1995*



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

See table 11 for each state's exact total expenditures and table 13 for each state's exact state and local expenditures.

a high of \$1,121 per poor child in Massachusetts to a low of \$328 per poor child in Mississippi.

Spending on these various populations is separated into three subcategories: welfare, non-welfare, and early childhood development. Child care

Table 11 *Child Care and Early Childhood Development Spending—Federal, State, and Local Funds per Poor Child, SFY 1995*

State	Dollars	Index ^a	Rank	Spending by Subcategory ^b (Percent)		
				Welfare	Non-Welfare	Early Childhood
Alabama	\$395	63	12	16%	22%	61%
California	536	85	8	8	50	41
Colorado	707	112	5	11	36	53
Florida	494	78	10	16	28	55
Massachusetts	1,121	178	1	27	40	33
Michigan	530	84	9	9	27	64
Minnesota	1,015	161	2	17	28	55
Mississippi	328	52	13	8	25	68
New Jersey	746	118	4	21	40	39
New York	572	91	7	21	35	44
Texas	396	63	11	14	26	60
Washington	759	120	3	38	23	39
Wisconsin	605	96	6	21	30	49
Average	631	100		17	32	51

Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

b. Percentages may not add to 100 because of rounding.

spending on AFDC and JOBS recipients and those transitioning off welfare assistance was placed under welfare child care. Child care for residents who are working but at risk of welfare or are low-income and working is grouped in the non-welfare subcategory. This subcategory also includes state child care tax credits to individuals, but it does not include tax credits provided to employers for establishing child care facilities. Head Start, state supplements to Head Start, and prekindergarten (pre-K) programs are categorized as early childhood development spending. As the table shows, early childhood expenditures accounted for about half of the total expenditures in this category. In contrast, non-welfare child care constituted 32 percent of the total, and welfare child care made up only 17 percent.

States received federal dollars for child care and early childhood development programs from three primary funding streams. Federal welfare-related spending came from the Title IV-A AFDC/JOBS and the Transitional Child Care programs. Both of these programs were open-ended matching programs. Non-welfare federal dollars primarily came from the Child Care and Development Block Grant. States also received a small portion of funds targeted for the non-welfare population from Title IV-A At-Risk Child Care, which was a closed-ended matching program. Finally, states received Head Start federal funding earmarked for early childhood development of low-income children. In most cases, Head Start money goes directly to localities, and states do not include these expenditures in their budgets. Another important child care funding stream was Title XX SSBG funds. Some states used this money to expand the availability of their non-welfare child care programs.

States Spend More on Child Care Programs for Individuals Not on Welfare Than on Programs That Serve the Welfare Population

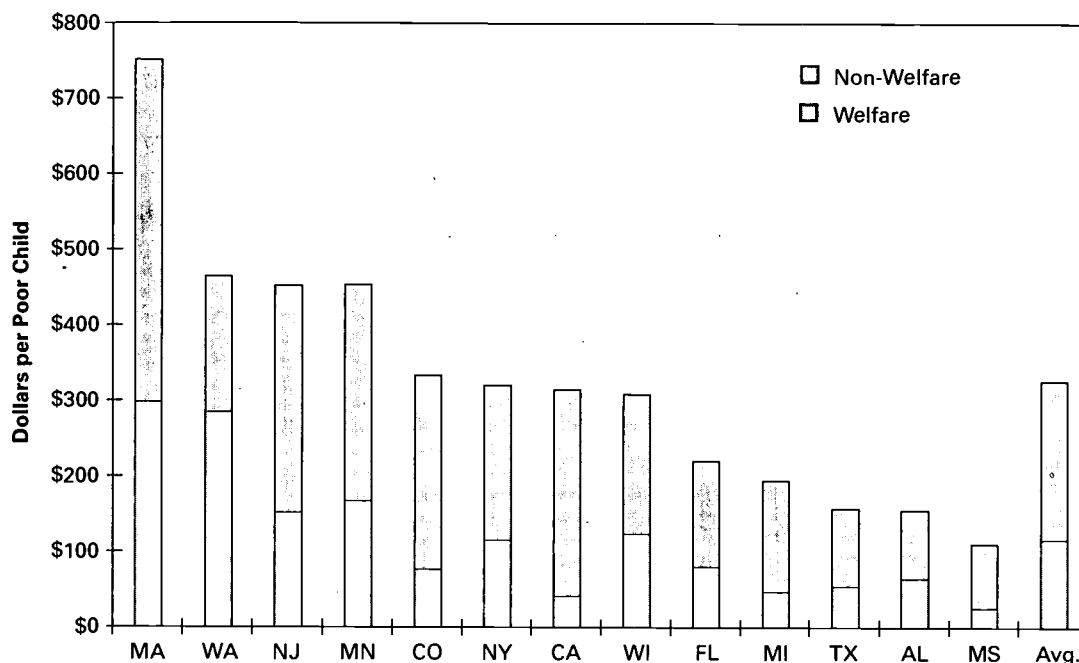
Figure 12 shows how much child care money states spent on their non-welfare and welfare populations. States averaged \$120 per poor child on welfare child care and \$205 per poor child on non-welfare child care. Interestingly, states varied in their rankings and spending between the two programs. For example, California ranked 12th in welfare spending, falling 63 percent below the average, but it spent \$270 per poor child on non-welfare child care, ranking fourth. Colorado followed a similar trend, spending \$79 on welfare child care and \$252 on non-welfare. In contrast, Washington spent \$289 per poor child on its welfare population, 141 percent above the average, and only \$174 per poor child on non-welfare child care.

States Provide Only One-Third of the Funding for Child Care Programs

States spent an average of \$219 in state-only dollars per poor child—about one-third the total spending levels—on child care and early childhood development programs. State investment in child care/child development varied considerably across the 13 states. Minnesota and Massachusetts invested more than 140 percent above the 13-state average (\$575 and \$528, respectively). In contrast, Mississippi and Alabama spent very little in state-only dollars (\$7 and \$40 per poor child, respectively), falling more than 87 percent below the mean.



Figure 12 *Welfare and Non-Welfare Child Care Spending—Federal, State, and Local Funds per Poor Child, SFY 1995*



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

See table A-8 for each state's exact total expenditures on welfare and non-welfare child care.

The ranking of states on state spending levels also changed from the rankings on states' total spending levels. For example, Florida moved from tenth to sixth, and Wisconsin moved from sixth to ninth.

One reason for the change in rankings and the increase in expenditure differences is the different levels of state reliance on the Child Care and Development Block Grant and the SSBG. The states, such as Florida, that supplemented these federal funds with state dollars had spending levels that were close to or higher than the 13-state average. In contrast, Mississippi and Alabama relied primarily on federal funding, and consequently their levels relative to the average were much lower.

States Spent 40 Percent of Their Child Care Funding on Early Childhood Programs

Except for Mississippi, all of the states spent state dollars on early childhood programs. These 12 states spent an average of 38 percent of their state child care/child development expenditures on state-initiated pre-K programs or expansions to the federal Head Start program. Michigan invested more than 70 percent of its state child care and early childhood development dollars in its pre-K program, and Texas spent 67 percent of its state child care and early childhood development funds in this category.

Besides financing early childhood development programs with general revenue monies, some states required localities to invest, and others developed trust funds to pay for their pre-K programs. For example, both Minnesota and New York required localities to pay a portion of the costs of the pre-K program. Michigan and Massachusetts both developed special funds for early childhood education. Florida financed its pre-K program in a similar fashion, earmarking a portion of its state lottery proceeds to early childhood education.

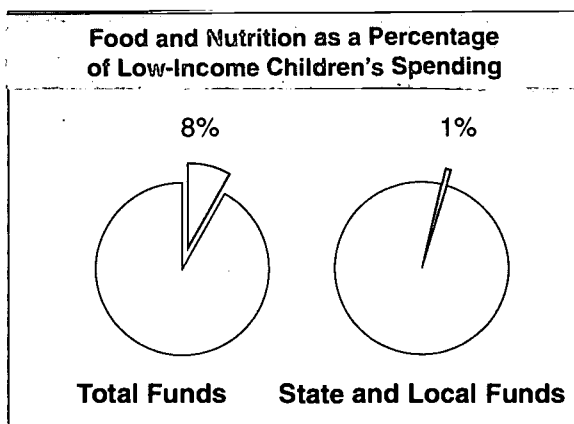
Three States Have State Child Care Tax Credits

Massachusetts, Minnesota, and New York provided their residents with state personal income tax credits or deductions for employment-related child care expenses. New York and Massachusetts offered this tax program to all their residents, and Minnesota limited it to those with incomes under \$29,700. Minnesota and New York based their credits on a percentage of the federal Child and Dependent Care Tax Credit, and Massachusetts allowed residents a specified maximum deduction. These tax expenditures accounted for 5 percent of Massachusetts's state child care spending, 12 percent of Minnesota's, and 17 percent of New York's.

Food and Nutrition

States Varied Little in Their Total Spending

Figure 13 shows total food and nutrition spending by federal and state and local funds. This category includes spending on child nutrition programs such as the National School Lunch and Breakfast program, the Child and Adult Care Food program, the Special Milk program, and the Summer Food program. In addition, it captures spending on pregnant and postpartum women through the Women, Infants, and Children (WIC) program. Spending on the Food Stamps program, however, is included in the cash assistance and training category because of its close interaction with the AFDC program. Total local, state, and federal spending on these programs averaged \$760 per poor child.

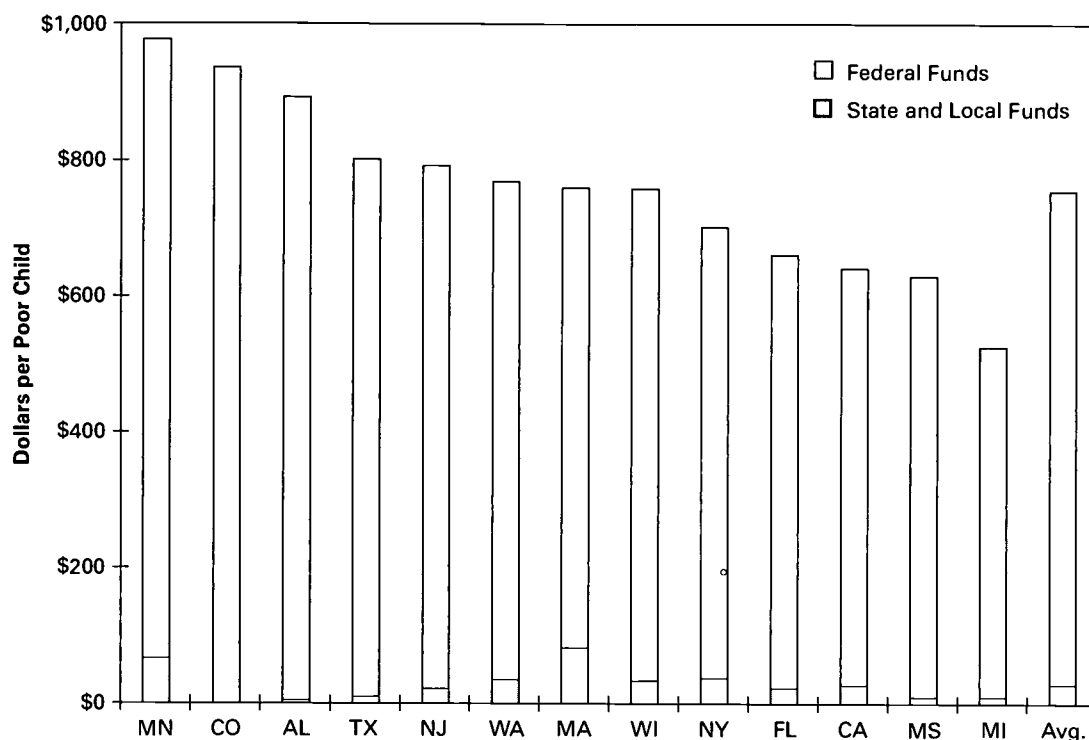


States varied very little in their total food and nutrition spending, with no state placing more than 30 percent above or below the 13-state mean. Minnesota had the highest spending level, \$982 per poor child, and Michigan had the low-



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Figure 13 Food and Nutrition Spending—Federal and State and Local Funds per Poor Child, SFY 1995



Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages. See table 13 for each state's exact state and local expenditures.

est level, \$528 per poor child. Child nutrition expenditures averaged 68 percent of the total, and WIC made up an average of 32 percent of total food and nutrition dollars.

States Spent Little State Money on Food and Nutrition

States did not invest much of their own money in food and nutrition programs, illustrating that providing food and nutrition to children is viewed as a federal responsibility.¹² While food and nutrition spending constituted an average of 8 percent of total state and federal spending on children, it accounted for less than 1 percent of state funds. States spent an average of only \$29 per poor child in state funds for these programs. Massachusetts had the highest level per poor child, spending \$85, and Colorado had the lowest, spending nothing.

These food and nutrition state funds supplemented child nutrition programs and expanded access to the WIC program. Every state except Colorado and Mississippi invested in child nutrition. Massachusetts, Minnesota, Mississippi, New York, Texas, Washington, and Wisconsin were the only states that

spent money to expand WIC services. (WIC rebates are not included in the study because these expenses are paid for by manufacturers rather than the residents of a state.)

Juvenile Justice and Youth Services

Figure 14 shows total juvenile justice and youth services spending by federal and state and local funds. This section covers state spending relative to all children, not just poor children, because states serve all youth through the juvenile justice system, regardless of income status. This category captures all programs focusing on supervision, care, and rehabilitation of youths committing delinquent acts. It also accounts for spending on prevention and community-based programs focusing on prevention of juvenile crime. Administrative expenditures are included in the spending totals in cases where staffing or operations were directly linked to the supervision or care of the delinquent youth—for example, maintenance and staffing of institutions. States fund juvenile justice and youth services programs primarily from state revenues, and thus total and state spending levels were very similar, with total expenditures averaging \$59 per child and state spending

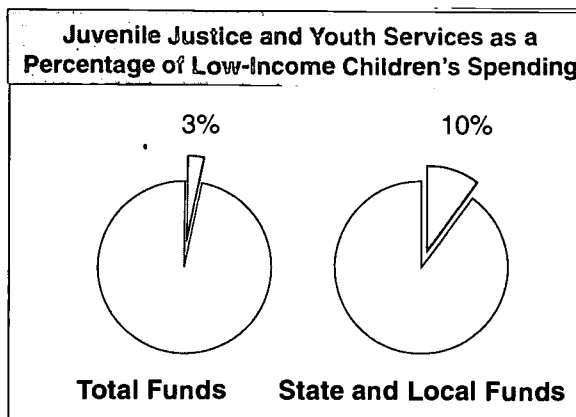
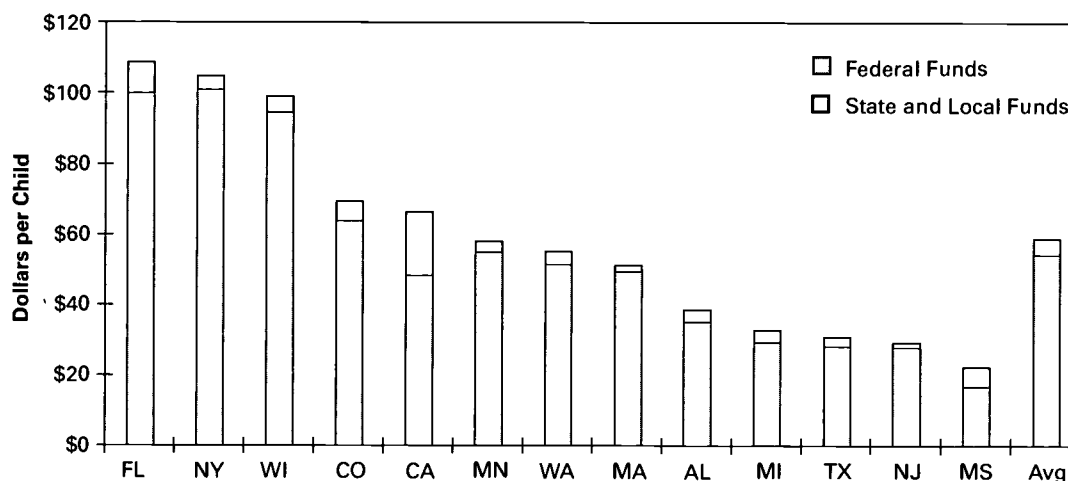


Figure 14 *Juvenile Justice and Youth Services Spending—Federal and State and Local Funds per Child, SFY 1995*



Source: The Urban Institute.

See table 12 for each state's exact total expenditures and table A-7 for each state's exact state and local expenditures.



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levels averaging \$55. (Localities also spend money on juvenile justice and youth services. However, the states in this study did not collect expenditure data on local juvenile justice and youth services spending.)

As table 12 shows, states spent an average of 49 percent of their total juvenile justice spending for juvenile institutions and boot camps. The other 51 percent went to pay for “other juvenile justice and youth services,” defined as detention centers, community-based alternative placements, community services, post-incarceration services, and prevention services. These average percentages do not include Mississippi, which could not provide accurate expenditure breakdowns between spending on institutions and boot camps and other juvenile justice and youth services.

As figure 14 and table A-7 show, New York spent the most state dollars on this category, with an expenditure level of \$102 per child. Florida and Wisconsin were close behind, spending \$101 and \$95 per child, respectively. Mississippi and New Jersey had the lowest levels, spending \$17 and \$28 per child.

Wisconsin, by allocating 19 percent to this category, had the highest level of juvenile justice and youth services spending as a proportion of its total state children’s budget expenditures. Interestingly, Massachusetts, which had the highest level of state spending, allocated the smallest proportion (5 percent) of its total state monies to juvenile justice and youth services. In contrast, Alabama, which had the second lowest total state spending level, allocated the second largest proportion (18 percent) to this category.

Table 12 *Juvenile Justice and Youth Services Spending—Federal, State, and Local Funds per Child, SFY 1995*

State	Dollars	Index ^a	Rank	Spending by Subcategory ^b (Percent)	
				Juvenile Institutions and Camps	Other Juvenile Justice and Youth Services
Alabama	\$38	65	9	55%	45%
California	66	113	5	57	43
Colorado	69	118	4	25	75
Florida	108	184	1	41	59
Massachusetts	51	87	8	62	38
Michigan	32	55	10	76	24
Minnesota	58	99	6	25	75
Mississippi	21	36	13	N/A	N/A
New Jersey	29	49	12	47	53
New York	104	178	2	44	56
Texas	31	52	11	49	51
Washington	55	95	7	49	51
Wisconsin	99	170	3	56	44
Average	59	100		49	51

Source: The Urban Institute.

a. The index is based on setting the 13-state average equal to 100. Each state’s individual index is then computed by dividing its total by the 13-state average.

b. Percentages may not add to 100 because of rounding.

Summary and Conclusions

This report documents spending on low-income children in 13 states in state fiscal year 1994–95. The study is unique because the information was obtained from state sources, it includes state-only spending in addition to the federal and state matching monies that are normally counted in other data sources, and it is actual expenditure data, not simply appropriations. The study has six major conclusions:

- Most spending on low-income children in the 13 states was from federal sources.
- States spend a small proportion of their own general fund on programs for low-income children.
- Most state-level spending on low-income children falls into two areas: health, and cash assistance and training.
- The federal government provides most of the funding for three of the six program categories: cash assistance and training, child care and early childhood development, and food and nutrition. The states provide the majority of funds for child protection and family services and juvenile justice and youth services. For the category of health services, the expense is shared almost evenly.
- Some states clearly ranked among the highest or lowest in all or most of the spending areas, but for most states the story was more mixed.
- States have strong funding preferences that reflect the many differences among the states, but especially their priorities and their particular cultural and political histories.

The 13 states spent on average \$3,153 per poor child in state and local funds on low-income children's programs. When federal spending on low-income children is added to the state total, the total amount spent on children triples to \$10,111. The states with the least ability to raise revenue received the most federal funds, and these funds were provided predominantly through the Earned Income Tax Credit, Food Stamps, Medicaid, and Aid to Families with Dependent Children programs. In fact, these four programs constituted 63 percent of the total funds (local, state, and federal) spent on low-income children's programs.

Spending on low-income children's programs constitutes a small amount of a state's total budget. For the 13 states, spending on low-income children's programs accounted for only 8.3 percent of their state general fund (GF) budgets on average. Although there was some variance among the states, no state spent more than 14.5 percent of its GF on low-income children. On average for the 13 states, this budget decision placed state spending on low-income children fifth behind spending on K-12 education, other programs, higher education, and Medicaid. States do, however, spend significant amounts on education programs, and spending on education is more than equal to spending on all programs for low-income children combined.

Although states varied in the types of programs they funded, all 13 states spent most of their state and local funds on health and cash assistance and training programs. On average, two-thirds of a state's spending on low-income children was in these two categories of programs. Child protection and family services programs were the third largest category of programs funded, and juvenile justice and youth services programs the fourth. Among states there were clear differences. For three states, the third largest category of spending was juvenile justice and youth services programs.

The fact that states spent most of their funds on health, cash assistance and training, child protection and family services, and juvenile justice and youth services, in that order, was probably the result of a number of factors, including the incentives inherent in the federal funding structure, the cost of providing the different services, the need for services, and the relative importance of the services.

Among the categories of programs, the relationship between the state/local and federal governments' roles in funding programs varied. Of all the categories, states provided the smallest proportion of funding for the food and nutrition and cash assistance and training programs. States paid for only 4 percent of the total expenditures on food and nutrition programs and one-fifth of the spending on cash assistance and training programs. In addition, state and local governments provided only one-third of the funding for child care and early childhood development programs, but the state and federal governments shared the expense of health programs almost evenly. States were much more involved in the funding of child protection and family services and juvenile justice and youth services programs. States provided 60 percent of the funding for child

protection and family services programs and more than 90 percent of the funding for juvenile justice and youth services programs.

The summation table, table 13, pulls together several measurements of spending on low-income children's programs for the 13 states. This table gives a fuller picture of the states' spending practices on low-income children's programs. Some states clearly ranked among the highest or lowest in all or most of the categories, but for most states the story was more mixed. For example, New York and Minnesota ranked second and third in total state spending per poor child. New York, however, ranked seventh in spending on child care and development programs (table 11), and Minnesota ranked eighth in spending on cash assistance and training programs (table 5). Both Florida and California have lower-than-average resources to spend on the poor children in their state (ranked ninth and tenth in personal income per poor child—table A-1), and California ranked seventh and Florida tenth in total state spending per poor child. Both states, however, ranked among the highest in the proportion of the general fund they allocated to children's programs.

This report's discussion of spending by categories also illustrates how states have funding preferences. California spends a significant portion of its funds on cash assistance and training programs, and New York spends the highest as a percentage and per child on child protection and family services programs. Why states have chosen to invest more heavily in one program versus another is not clear, and the states themselves may not be aware of how their spending on children's programs is distributed among the various programs. Different populations, modes of delivering services, costs of providing services, eligibility requirements, and needs for services may explain some of the variations. For many states, however, the distribution of funds may reflect a preference for funding one type of program over another, and it illustrates in dollar terms the priorities of the particular state.

With the establishment of the Temporary Assistance for Needy Families block grant and the Child Care and Development Fund, states will have new flexibility in distributing these funds. Given the distribution of state funds before the passage of the Personal Responsibility and Work Opportunity Reconciliation Act, states would be expected to differ in how they will spend these funds. What is not clear is whether states will continue to spend the funds as was previously specified in the federal programs, or whether they will use the new flexibility to increase spending in categories each state has always felt were important (such as child care spending in Massachusetts and Minnesota), or whether they will increase spending in categories that have been relatively underfunded compared to other categories (such as child protection and family services spending in Florida and child care and early childhood development spending in New York).



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Table 13 Spending on Low-Income Children's Programs Summation Table, SFY 1995

State	State Funds			State and Local Fund Spending per Poor Child														Juvenile Justice and Youth Services								
	All Funds per Poor Child	As a Percentage of General Fund	Percent	Total				Cash Assistance and Training		Health	Child Care and Early Childhood Development		Child Protection and Family Services		Nutrition											
				Dollars	Rank	Index*	Dollars	Rank	Dollars		Index*	Dollars	Rank	Dollars	Index*	Dollars	Rank	Dollars	Index*							
										Dollars										Rank	Index*	Dollars	Rank	Dollars	Rank	Dollars
Alabama	\$7,592	11	89%	\$817	26	12	\$183	18	12	\$313	29	12	\$40	18	12	\$127	25	12	\$3	11	12	\$150	56	10		
California	9,493	8	66	3,265	104	7	1,550	153	3	780	72	10	245	112	5	473	92	6	29	101	6	189	71	9		
Colorado	11,086	6	73	3,024	96	8	748	74	9	992	91	8	181	82	7	583	113	5	0	0	13	521	196	2		
Florida	8,526	10	73	2,266	72	10	505	50	10	998	92	7	184	84	6	166	32	10	24	83	8	389	146	4		
Massachusetts	13,654	1	58	5,707	181	1	1,888	187	1	2,131	196	1	528	240	2	783	152	4	85	296	1	294	110	7		
Michigan	8,678	9	71	2,521	80	9	953	94	8	870	80	9	137	62	10	416	81	7	9	32	11	137	51	11		
Minnesota	12,530	3	57	5,343	169	3	1,226	121	7	2,028	187	2	575	262	1	1,068	207	2	68	240	2	378	142	5		
Mississippi	6,292	13	92	47	12	506	16	13	124	12	13	285	24	13	7	51	10	13	9	33	10	49	19	13		
New Jersey	11,608	4	67	6.1	11	3,804	121	4	1,339	132	5	1,157	107	4	258	118	4	824	160	3	26	90	7	200	75	8
New York	13,332	2	58	11.2	3	5,619	178	2	1,781	176	2	1,889	174	3	171	78	8	1,327	258	1	38	132	3	413	155	3
Texas	6,885	12	83	5.7	10	1,145	36	11	218	22	11	563	52	11	112	51	11	128	25	11	11	38	9	113	42	12
Washington	10,536	7	67	9.5	5	3,462	110	6	1,362	135	4	1,114	103	5	279	127	3	367	71	9	36	126	4	303	114	6
Wisconsin	11,234	5	69	7.5	7	3,507	111	5	1,266	125	6	1,026	94	6	137	62	9	384	75	8	34	118	5	661	248	1
Average	10,111	69	8.3			3,153	100		1,011	100		1,087	100		219	100		515	100		29	100		266	100	

Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

b. For spending per child, see table A-7.

Appendix

Table A-1 *Characteristics of the 13 States*

State	Capacity and Need						Demographic		Economic	
	1995 Per Capita Income		1994 Child Poverty Rate		Personal Income per Poor Child		1994 Total Population (in thousands)	Children as a Percentage of Total Population	Unemploy- ment Rate, 1995	1995 Year-End Balance as a Percentage of Total Expenditures
	Dollars	Rank	Percent	Rank	Dollars	Rank				
Alabama	\$19,181	12	23.8%	8	\$319,726	11	4,215	25.49%	6.3%	1.3%
California	24,073	4	25.6	10	342,955	10	31,362	27.61	7.8	1.6
Colorado	23,961	6	12.4	1	754,981	2	3,663	26.26	4.2	12.5
Florida	23,061	9	25.9	12	383,336	9	13,965	23.54	5.5	2.9
Massachusetts	23,021	2	17.2	5	697,386	3	6,042	23.43	5.4	3.8
Michigan	23,915	7	22.0	7	413,489	8	9,486	26.48	5.3	12.8
Minnesota	23,971	5	14.8	4	604,276	4	4,572	26.97	3.7	11.9
Mississippi	16,683	13	34.4	13	173,391	13	2,668	28.29	6.1	12.2
New Jersey	29,848	1	14.1	2	866,864	1	7,906	24.52	6.4	6.4
New York	27,678	3	24.6	9	452,322	7	18,197	24.76	6.3	0.5
Texas	21,206	11	25.8	11	291,168	12	18,434	28.68	6.0	9.0
Washington	23,774	8	17.3	6	534,302	6	5,351	26.16	6.4	6.6
Wisconsin	22,261	10	14.4	3	589,894	5	5,084	26.39	3.7	5.1
United States	23,208		21.7		414,931		260,372	26.06	5.6	5.8

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau, Office of Statistics; "Assessing the New Federalism State Database," The Urban Institute, <http://newfederalism.urban.org/nfdb/index.htm> (2/98); and the National Association of State Budget Officers, *The Fiscal Survey of States* (April 1996).

Note: Child poverty rates are 1994 estimates based on three-year averages.

Decision Rules for Defining a Children's Program in State Budgets

1. Include all spending on programs that were explicitly designed to assist predominantly low-income children.

Examples: School lunch, juvenile detention facilities, Head Start, child care, foster care, maternal and child health programs.

2. Include spending on adults in programs where adults receive money or services only because of the presence of a child.

Examples: AFDC, WIC, EITC. Although the Food Stamps and General Assistance programs were not designed solely to help children, they are used as augmentations of or substitutions for the AFDC program. Therefore, include all Food Stamps and General Assistance spending for families with children.

3. Include spending on the children's portion of programs that benefit both children and adults. Programs should include particular components for children.

Examples: Medicaid spending on children and mental health programs for children.

4. Focus on spending through governments, financed with government-raised revenue. Do not include privately funded programs.

Examples: Exclude WIC rebates, child support collections paid directly to the custodial parent, third-party payments.

5. Do not include programs that were designed for adults but indirectly benefit children.

Examples: Do not include adult job training programs available to any low-income adult such as Job Training Partnership Act Title IIA, but include job training programs that are attached to AFDC such as JOBS.

6. Exclude spending on administration generally defined as state operations. Include spending on staff who provide services, although some states may define this as "administration."

Examples: Exclude state policy staff, but include spending on service providers such as eligibility workers, case managers, and child welfare service workers.

7. Focus on general fund and earmarked or special funds and exclude capital expenditures, including housing.

8. Do not include spending on programs that are designed to benefit the public broadly, even if those programs benefit children as part of the public—that is, do not include public goods.

Examples: Public safety, parks, public television.

9. Children are defined as under 18 years of age, but some programs have a broader definition. In such instances, and where the states are unable to break out the spending on children under 18 years of age, include all spending and note the program-specific definition.

Examples: Medicaid defines children as under 21 years of age. Job Training Partnership Act Title IIB serves youth between ages 14 and 21.

10. For Medicaid spending on children, use the Urban Institute's Health Policy Center estimates, which are derived from using the Health Care Financing Administration's forms 64 and 2082.

Children's Budget Project Methodology

Before requesting expenditure data for any of the 13 case study states, the study team reviewed the available printed material on a state's spending and programs. They reviewed the state budget, legislative budget documents, departmental reports, and any other documents they were able to collect. They then developed a list of the state's programs that fit into the study's categories. Once the list had been drawn up, they called the state budget office or department budget staff to ask for the 1995 actuals by funding source for the various programs. In some cases, these numbers were available in the state budget document and the researchers were able to collect them directly.

The study team then began an iterative process of speaking with various state officials to track down expenditure amounts. Sometimes the state budget staff were not able to provide the information broken down by the programs requested, and the researchers had to contact department or program staff. They found it was helpful to speak with a variety of state officials to gain a full understanding of the fiscal and programmatic landscape of the particular state. They also collected program descriptions for all the programs identified in the spreadsheet to ensure the program did meet the study's decision rules. After the researchers had prepared a final spreadsheet, they sent the spreadsheet and descriptions to the state budget director for review and, in most cases, received a detailed reply with comments and corrections.

For the requested programs, they collected 1995 state fiscal year expenditures by state general fund, other state funds ("special funds"), and federal funds. Whenever possible, they requested states to provide the name of the federal funding source. They then were able to check this expenditure data against federally reported information to ensure that they were not missing



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any programs that received this funding source. They also asked states for local expenditures (except school district spending) and included whatever information a state collected. In particular, they asked each state for state-required local matching requirements, and these instances were noted in the spreadsheet. Although they were unable to collect all local spending because states do not collect all of this information from localities, from discussions with state officials they felt that they had collected a majority of such spending. Generally, localities do not spend a lot of funds on these types of programs, and the states that were the exceptions are footnoted. The one exception is juvenile justice programs. Juvenile justice programs have historically been funded more at the local level, and most of the 13 states were unable to provide the local funding amounts.

For many reasons, the numbers in this study are not identical to numbers collected by the federal Department of Health and Human Services (HHS) or the federal Office of Management and Budget. The federally reported numbers are collected by federal fiscal year (October 1 through September 30), and the numbers in this study reflect state fiscal years, which vary depending upon the state (most are July 1 through June 30). In addition, many of the HHS numbers are total allocations to states, but in some programs states are given more than one year in which to spend federal funds, so although HHS may report an amount for a federal fiscal year, the state may spend the monies over several fiscal years. Finally, the study team chose to collect SFY 1995 data because, at the time, that was the latest year for which actuals were available at the state level, and they did not want to collect appropriations or estimates, which could vary substantially from the reported actuals. States generally report appropriations for the current year, estimates for the previous year, and actuals for two years prior.

Education Programs

Because states vary in the degree to which the state versus local school districts fund education programs, it is very difficult to obtain accurate state and local school expenditure data across all 13 states without also going to the numerous school districts with information requests. Therefore, all federal, state, and local education spending for prekindergarten through grade 12 came from the *Digest of Education Statistics*. The study team did not collect expenditures for programs that met its decision rules but were administered by a state's department of education because these amounts are included in the *Digest's* numbers. These programs included special programs serving children, youth, or families (e.g., teen parenting, drug-free schools, comprehensive health); three- to five-year-olds with special needs (e.g., the Individuals with Disabilities Education Act, part B); and local nutrition programs. Minnesota and New York, in particular, did fund a number of children's programs through the education system that are not reflected in the study's totals. The study did make an exception to this rule for child care, early childhood development, and state nutrition programs in order to present a complete picture of child care and nutrition funding. These programs are included in the low-income children's program total and are subtracted from the *Digest's* number.

National Data Sources

Data for the following programs were gathered from national sources instead of state budget offices and are for federal fiscal year 1995 unless otherwise noted.

Medicaid: Provides health care to low-income persons. Only spending for persons under the age of 19 is included in this report. The Urban Institute calculated data using the Health Care Financing Administration forms 64 and 1082.

EITC: Enables families with modest earnings, including AFDC parents who leave welfare because of work, to receive a cash supplement from the U.S. Treasury. Data are for tax year 1994 from the Internal Revenue Service and include all payments made to persons in the state, including payments to individuals. Information on state EITC spending was obtained directly from the states.

SSI for Children: Provides benefit payments to needy blind and disabled children. Estimates are based on spending in June and December, including federal spending and also state supplements for states in which the state supplement is federally administered. The state supplement amount, however, is reflected as federal funds. For those states that administer the state supplement, the state supplement for children was zero or insignificant and thus was not included. Data are from the Office of Research, Evaluation, and Statistics of the Social Security Administration.

Food Stamps: Provides benefit payments for purchase of food items. The study includes only payments to households with children. The Urban Institute tabulated the data using Food Stamp Quality Control data and tabulations by the U.S. Department of Agriculture's Food and Consumer Service.

Head Start: Provides comprehensive child development services primarily to low-income children ages three to five. Data are from the Office of Management and Budget, *Budget Information of the United States, 1997*. These data were used only for those states that were unable to provide expenditure information.

Child Nutrition Programs: Includes expenditures for the School Lunch, School Breakfast, and Child and Adult Care Food programs. Data are from the Office of Management and Budget, *Budget Information of the United States, 1997*. These data were used only for those states that were unable to provide expenditure information.

Job Training Partnership Act, Titles IIB and IIC: Provides employment and training funds for economically disadvantaged youth ages 16 to 21. Title IIB is for summer job training and Title IIC is for year-round training. Data are from the Office of Management and Budget, *Budget Information of the United States, 1997*. These data were used only for those states that were unable to provide expenditure information.



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Other Sources

Per Capita Personal Income and Total Personal Income: U.S. Department of Commerce, Bureau of Economic Analysis, 1995 calendar year estimates revised as of October 1996.

Child Poverty Rates: Current Population Survey three-year average (March 1994–March 1996, where 1994 is the center year) edited using the Urban Institute's TRIM2 microsimulation model.

Number of Children in Poverty: U.S. Census Bureau, Office of Statistics, *ST-96-10 Estimates of the Population of the U.S. for Selected Age Groups*. Number of children 17 and under in a state was multiplied by the state's percentage of children in poverty (see child poverty rates for explanation of percentages).

Total Tax Revenue (Fiscal Effort): U.S. Census Bureau, Government Division, *Federal, State, and Local Government Finances*. Revenue raised by state and local governments from the public, excluding charges, liquor store revenue, insurance trust revenue, utility revenue, and money received from issuance of debt, liquidation of investments, and agency and private trust transactions. Data are for fiscal year 1994, the latest year available for total state and local revenue. Total revenue is divided by total state personal income for calendar year 1993.

Table A-2 Low-Income Children's Program Spending—Federal, State, and Local Funds per Poor Child, SFY 1995

State	Total			Federal			State and Local		
	Dollars	Index ^a	Rank	Dollars	Index ^a	Rank	Dollars	Index ^a	Rank
Alabama	\$7,592	75	11	\$6,775	97	8	\$817	26	12
California	9,493	94	8	6,228	90	9	3,265	104	7
Colorado	11,086	110	6	8,062	116	1	3,024	96	8
Florida	8,526	84	10	6,259	90	11	2,266	72	10
Massachusetts	13,654	135	1	7,947	114	2	5,707	181	1
Michigan	8,678	86	9	6,155	88	10	2,521	80	9
Minnesota	12,530	124	3	7,187	103	4	5,343	169	2
Mississippi	6,292	62	13	5,786	83	12	506	16	13
New Jersey	11,608	115	4	7,805	112	3	3,804	121	4
New York	13,332	132	2	7,714	111	6	5,619	178	3
Texas	6,885	68	12	5,740	82	13	1,145	36	11
Washington	10,536	104	7	7,074	102	5	3,462	110	6
Wisconsin	11,234	111	5	7,727	111	7	3,507	111	5
Average	10,111	100		6,958	100		3,153	100	

Source: The Urban Institute.

Note: The numbers of children in poverty are 1994 estimates based on three-year averages.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

Table A-3 Low-Income Children's Program and K-12 Education Spending—Federal, State, and Local Funds per Child, SFY 1995^a

State	Total Low-Income Children's Program			K-12 Education			Total Low-Income and K-12 Education		
	Dollars	Index ^b	Rank	Dollars	Index ^b	Rank	Dollars	Index ^b	Rank
Alabama	\$1,803	89	9	\$2,684	72	12	\$4,487	78	13
California	2,431	120	2	2,823	76	11	5,254	92	10
Colorado	1,370	68	13	3,273	88	9	4,643	81	11
Florida	2,208	109	4	3,219	87	10	5,427	95	8
Massachusetts	2,354	117	3	4,180	113	3	6,534	114	3
Michigan	1,908	95	6	4,055	110	4	5,963	104	4
Minnesota	1,858	92	7	3,601	97	7	5,459	95	7
Mississippi	2,163	107	5	2,388	65	13	4,552	80	12
New Jersey	1,638	81	11	5,479	148	1	7,117	124	2
New York	3,284	163	1	4,962	134	2	8,246	144	1
Texas	1,775	88	10	3,569	96	8	5,344	93	9
Washington	1,818	90	8	3,919	106	6	5,737	100	5
Wisconsin	1,619	80	12	3,977	107	5	5,596	98	6
Average	2,018	100		3,702	100		5,720	100	

Sources: The Urban Institute and U.S. Department of Education, *Digest of Education Statistics*.

a. Low-income children's spending administered by a state's department of education is included in the low-income children's program spending total and has been subtracted out of the K-12 education total.

b. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

Table A-4 Low-Income Children's Program and K-12 Education Spending as a Percentage of State and Local Budgets—Census Data

State	Low-Income Children's Spending ^a			Low-Income Children's and K-12 Education Spending ^{c,d}		
	Millions of Dollars	As a Percentage of State Budget ^b	Rank	Millions of Dollars	As a Percentage of State and Local Budget ^e	Rank
Alabama	\$818	7.8%	13	\$4,091	27.7%	13
California	14,194	15.1	1	44,679	32.3	9
Colorado	741	8.8	11	4,279	28.5	12
Florida	4,419	13.7	2	16,654	31.9	10
Massachusetts	2,682	12.3	4	8,680	30.8	11
Michigan	3,258	10.6	6	14,279	36.3	2
Minnesota	1,465	9.9	10	7,310	33.1	8
Mississippi	676	10.1	9	3,025	35.1	3
New Jersey	2,071	7.8	12	13,323	34.9	4
New York	8,877	13.0	3	37,844	33.4	7
Texas	4,701	11.6	5	24,297	38.0	1
Washington	1,850	10.5	7	8,138	33.6	6
Wisconsin	1,508	10.4	8	7,427	33.9	5
Average		10.9			33.0	

Sources: The Urban Institute and the U.S. Census Bureau, Government Finance Division.

a. Low-income children total includes federal, state, and local funds and does not include local spending or direct federal expenditures to localities (e.g., Head Start).

b. Census-reported state total includes general expenditures defined as all government expenditures (federal, state, and local) other than the specifically enumerated kinds of expenditures classified as utility expenditures, liquor store expenditures, and employee retirement or other insurance trust expenditures.

c. K-12 spending is FY 1994 federal, state, and local expenditures as reported by Census.

d. Low-income children's spending includes all federal, state, and local funds except direct federal expenditures to localities (e.g., Head Start).

e. Total federal, state, and local expenditures are FY 1994 expenditures compiled by Census.



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Table A-5 *Proportion of Low-Income Children's Program Spending by Program Category—Federal, State, and Local Funds, SFY 1995*

State	Medicaid	EITC	AFDC	Other ^a	Food Stamps	Food and Nutrition	Child Protection and Family Services	Child Care and Child Development
Alabama	12	29	4	16	19	12	4	5
California	13	14	30	10	10	7	9	6
Colorado	17	19	11	16	14	8	9	6
Florida	22	19	13	15	14	8	4	6
Massachusetts	25	7	21	15	8	6	10	8
Michigan	20	11	21	13	13	6	9	6
Minnesota	22	11	12	19	8	8	11	8
Mississippi	15	28	5	14	20	10	2	5
New Jersey	16	16	18	15	13	7	9	6
New York	23	9	19	15	9	5	15	4
Texas	17	24	6	12	20	12	4	6
Washington	18	12	21	17	13	7	5	7
Wisconsin	21	14	18	19	9	7	7	5
Average	18	16	15	15	13	8	8	6

Source: The Urban Institute.

a. Other includes juvenile justice and youth services, other cash assistance and training, and non-Medicaid-related health expenditures.

Table A-6 *Proportion of Low-Income Children's Program Spending by Program Category—State and Local Funds, SFY 1995*

State	Health	Cash Assistance and Training	Child Protection and Family Services	Juvenile Justice and Youth Services	Child Care and Child Development	Food and Nutrition
Alabama	38	22	16	18	5	0
California	24	47	14	6	8	1
Colorado	33	25	19	17	6	0
Florida	44	22	7	17	8	1
Massachusetts	37	33	14	5	9	1
Michigan	35	38	16	5	5	0
Minnesota	38	23	20	7	11	1
Mississippi	52	24	10	10	1	2
New Jersey	30	35	22	5	7	1
New York	34	32	24	7	3	1
Texas	49	19	11	10	10	1
Washington	32	39	11	9	8	1
Wisconsin	29	36	11	19	4	1
Average	37	30	15	10	7	1

Source: The Urban Institute.

Notes

1. This report was conceived and designed by the late Steven Gold as a follow-up to his report: Steven D. Gold, Elizabeth I. Davis, Deborah A. Ellwood, David S. Liebschutz, and Sarah Ritchie, *How Funding of Programs for Children Varies among the 50 States* (Albany, NY: Center for the Study of the States, The Nelson A. Rockefeller Institute of Government, State University of New York, January 1996). That report presented state and federal spending data on nine federal matching programs that serve children.
2. Family planning expenditures are not included because these services are predominantly provided to individuals over age 18. See Lisa Kaiser, *Title X and the U.S. Family Planning Effort* (The Alan Guttmacher Institute, Issues in Brief, February 1997). Kaiser estimates that 30 percent of clients at publicly subsidized family planning providers are younger than 20 years of age.
3. The difference between comparing spending to the number of *poor* children in the state versus the number of children is significant for several states that have particularly high or low child poverty rates. For example, among the 13 states, Mississippi ranked last in total spending relative to the number of poor children in the state, but it ranked fifth in total spending relative to the total number of children in the state. The difference is a result of Mississippi's high child poverty rate, one of the highest in the nation. California and Florida experience a similar increase in their ranking when spending is compared with the number of children in the state instead of the number of poor children. On the other hand, Colorado, New Jersey, and Wisconsin move down in the rankings because they have relatively low child poverty rates. Tables A-2 and A-3 show the states' spending relative to these two measurements.
4. For a more thorough discussion, see Toby Douglas and Kimura Flores, *Federal and State Funding of Children's Programs* (Washington, DC: The Urban Institute, January 1998).
5. This study used NASBO's state GF total and K-12 other state funds as the total for the denominator of total state GF. Although states do not define their general fund uniformly, this is a rough approximation for spending out of tax revenue, except for transportation spending, which usually is financed by an earmarked transportation fund. See Steven D. Gold and Sarah Ritchie, *How State Spending Patterns Have Been Changing* (Albany, NY: Center for the Study of the States, State Fiscal Brief No. 31, December 1995). For the numerator, the study used total state GF spending on children's programs. One state, Alabama, uses a significant amount of other state monies to fund children's programs. It also makes disproportionate use of these other revenue sources throughout the rest of the budget, but the percentage of GF spending on children over total GF in Alabama is comparable to the percentage of other state funds spent on children over total other state funds, approximately 2.3 percent.
6. The best single reflection of state priorities is the fraction of money that states allocate annually in their budget process. For this reason, this study used NASBO as the source for the state budget totals. Alternatively, the Census-reported totals could have been used, but they include items that are funded by state entities but are not included in the state budget, such as public authorities. For comparison purposes, table A-4 shows the same table using the Census numbers for the state budget total denominator, and the percentages are very similar—states spending on average 10.9 percent on low-income children's programs, with a low of 7.8 percent and a high of 15.1 percent.
7. Because spending on low-income children does not include education spending, the rankings of the states would change if that calculation could be made. However, comparing the percentage of the state budget spent on education programs across states is misleading because states vary so much in the percentage of education costs that states versus local governments pay. Table A-4 shows total spending on children, including education, as a proportion of total state spending, using the Census numbers for education spending and the Census state and local totals for the denominator of total state spending. This ratio does not reflect spending as a proportion of the state budget, but it does reflect how the rankings might change if education spending and local general fund budgets could be included in the calculation.

8. For a more thorough discussion, see Toby Douglas and Kimura Flores, *Federal and State Funding of Non-Education Children's Programs* (Washington, DC: The Urban Institute, January 1998).
9. Substance abuse prevention and treatment and developmental disabilities (except for Part H) programs are not included in this report because most states could not disaggregate spending on children versus spending on adults, and in many states, developmental disabilities spending was done through local school districts—data that states did not collect.
10. David Liska et al., *Medicaid Expenditures and Beneficiaries, National and State Profiles and Trends, 1990–1995* (Washington, DC: The Urban Institute and the Kaiser Commission on the Future of Medicaid, November 1997).
11. This report does not include spending on state indigent health care programs. In 1995, many states provided medical care to poor adults or families who were ineligible for federal medical assistance. These programs are commonly referred to as General Assistance—medical programs. The 13 states could not provide expenditure information on these programs because either the data included spending on both single adults and families, or counties had primary responsibility for paying for the costs and did not have to report expenditures to the state.
12. The state spending total does not include local school district expenditures. In some states, school districts supplement federal food and nutrition dollars with local education money. For example, Minnesota local school districts spent more than \$75 million on the school lunch program. However, local nutrition spending through school districts is not included in the total, because most states could not estimate this amount; the funds are included in the education total number.

Table A-7 Child Protection and Family Services and Juvenile Justice and Youth Services Spending—State and Local Funds per Child, SFY 1995

State	Child Protection and Family Services			Juvenile Justice and Youth Services		
	Dollars	Index ^a	Rank	Dollars	Index ^a	Rank
Alabama	\$30	31	12	\$36	65	9
California	121	125	4	48	89	8
Colorado	72	74	7	64	118	4
Florida	43	44	10	101	185	2
Massachusetts	135	139	3	51	93	7
Michigan	91	94	6	30	55	10
Minnesota	158	163	2	56	103	5
Mississippi	17	18	13	17	31	13
New Jersey	116	120	5	28	52	12
New York	327	336	1	102	187	1
Texas	33	34	11	29	53	11
Washington	63	65	8	52	96	6
Wisconsin	55	57	9	95	174	3
Average	97	100		55	100	

Source: The Urban Institute.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.

Table A-8 Welfare and Non-Welfare Child Care Spending—Federal, State, and Local Funds per Poor Child, SFY 1995

State	Welfare			Non-Welfare		
	Dollars	Index ^a	Rank	Dollars	Index ^a	Rank
Alabama	\$65	54	9	\$89	43	12
California	44	37	12	270	131	4
Colorado	79	66	8	252	123	5
Florida	81	67	7	141	69	10
Massachusetts	300	250	1	449	219	1
Michigan	49	40	11	145	71	9
Minnesota	170	142	3	284	139	3
Mississippi	25	21	13	81	40	13
New Jersey	156	130	4	299	146	2
New York	119	99	6	200	98	6
Texas	55	46	10	101	49	11
Washington	289	241	2	174	85	8
Wisconsin	127	106	5	180	88	7
Average	120	100		205	100	

Source: The Urban Institute.

a. The index is based on setting the 13-state average equal to 100. Each state's individual index is then computed by dividing its total by the 13-state average.



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